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CONFIDENTIAL.

(6333.)

5

No. 1.

The Earl of Rosebery.

F.O.

424

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PART XIII.

FURTHER CORRESPONDENCE

RESPECTING THE

FINANCES OF TURKEY.

173

1892.

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CONFIDENTIAL.

Further Correspondence respecting the Finances of Turkey.

PART XIII.

No. 1.

Mr. Egerton to the Marquis of Salisbury.—(*Received January* 8.)

(No. 1.)
(Telegraphic.) P.

Paris, January 8, 1892.

ACCORDING to information I have received it would appear that Berger, French Military Attaché at Constantinople, has been appointed French Commissioner on Turkish Debt in the room of present occupant.

He has been very active and successful in obtaining Concessions and orders there for French firms.

No. 2.

The Council of Foreign Bondholders to the Marquis of Salisbury.—(*Received February* 8.)

E
My Lord,

17, *Moorgate Street, London, February* 5, 1892.

I REGRET to inform your Lordship that the attacks upon the Ottoman Public Debt Administation, to which I ventured to invite your earnest attention by my letter and Memoranda of the 19th November last, and which continue to have solely a German origin, not only have not been discontinued, but have been increased.

In connection with this subject I have the honour to inclose, for your Lordship's information, a copy of a letter addressed to this Council by the Council of Administration of the Ottoman Public Debt, with the terms of which they entirely agree.

I venture to urge upon your Lordship that this is a matter of grave importance. There may be some danger that the Sultan, seeing the unjustifiable attacks made by a certain section of bondholders on the Administration, instituted by his Decree as a satisfaction and a guarantee of good faith to the creditors, seeing his Imperial Iradés continually made the object of discussion and litigation in foreign Courts of Law, and seeing also the reviving credit of the Empire, which he had hoped to restore through their instrumentality, imperilled by these attacks, will lose heart and patience, and simply annul the Decree constituting an Administration which, invaluable as it is to the bondholders and the State, has always been irksome to him. He may think that, if actions-at-law, which could not be brought against his Government, can be instituted by individual bondholders against the Public Debt Council, the latter becomes a source of weakness rather than strength, and may abolish it.

I beg, therefore, to request your Lordship to send immediate instructions to Her Majesty's Representative at Constantinople to continue his valuable support to the Public Debt Council, and to make such representations as he may deem proper to the Porte on the necessity of upholding that institution as at present constituted by the Decree of Mouharrem.

I have, &c.
(Signed) JOHN LUBBOCK, *Chairman.*

Inclosure in No. 2.

The Council of Administration of the Ottoman Public Debt to the Council of Foreign Bondholders.

M. le Président, *Constantinople, le 21 Janvier*, 1892.

LE Conseil vient d'être informé que MM. Stiebel, banquiers à Francfort, se prétendant lésés, en leur qualité de porteurs de titres de la Dette Ottomane, par la Convention du 18 (30) Avril, 1890, ont assigné devant un Tribunal de leur ville tous les membres du Conseil de la Dette Publique, pris chacun d'eux individuellement.

MM. Stiebel ont suivi l'exemple du Sieur Lothair Feuchtwanger, qui a déjà assigné devant un Tribunal Consulaire de Constantinople un des membres de notre Conseil et qui menace d'assigner aussi les autres.

Il ne serait pas téméraire de penser qu'à leur tour MM. Stiebel trouveront, parmi les porteurs de titres de la Dette Ottomane, des imitateurs.

Le Conseil se permet d'attirer votre attention sur le danger que présentent de pareilles assignations, au point de vue de la bonne gestion des intérêts qui lui sont confiés.

Il croit devoir vous rappeler, en premier lieu, que l'Administration de la Dette Publique Ottomane se trouve être, par les conditions mêmes qui ont présidé à sa formation, et par celles dans lesquelles elle continue à fonctionner, une Administration *sui generis*, à laquelle ne sauraient s'appliquer les principes qui régissent les Sociétés Anonymes par actions.

Il en est donc de même de notre Conseil. Partant, ses Rapports et ceux de ses membres, pris individuellement, avec les porteurs de titres Ottomans sont, en droit, radicalement différents de ceux qui existent entre un Conseil d'Administration d'une Société Anonyme ou ses membres individuellement, et les actionnaires de cette Société.

Sans entrer dans de longs développements, il suffit pour établir cette différence de rappeler que les membres d'un Conseil d'Administration d'une Société Anonyme sont élus directement par l'ensemble des actionnaires, tandis que les membres de notre Conseil non seulement tiennent leur mandat *d'autorités* spéciales désignées à l'Article 15 du Décret Impérial du 8 (20) Décembre, 1881, mais qu'aussi, d'après ce même Article, six d'entre eux représentent *séparément et isolément* les porteurs de *sept* pays différents (le délégué du "Council of Foreign Bondholders" représentant les porteurs Anglais et Néerlandais), et le septième, les porteurs d'une catégorie de titres spéciaux.

Seul notre Conseil, pris comme être moral, représente (toujours conformément à l'Article 15 du Décret) l'ensemble des porteurs.

La composition toute particulière de notre Conseil crée donc à ses membres une situation légale également particulière et en dehors du droit commun.

Le premier point à relever dans cette situation particulière des membres de notre Conseil, c'est qu'il n'existe aucun lien légal entre chacun d'eux, pris individuellement et les porteurs *qu'il ne représente pas*, c'est-à-dire entre un de nos membres et les porteurs d'un pays autre que le sien.

Le second point, presque aussi essentiel que le premier, est que ce défaut de lien légal se retrouve dans la situation en droit que le Décret du 8 (20) Décembre, 1881, a créée pour chacun des membres de notre Conseil vis-à-vis des porteurs *qu'il représente*.

En effet, ce Décret a été promulgué à la suite et sur la base d'une entente intervenue entre le Gouvernement Impérial Ottoman, d'une part, et MM. Robert Bourke, J. Valfrey, de Mayr, Primker et F. Mancardi, d'autre part, que le Gouvernement a admis comme étant respectivement les délégués des porteurs Anglais et Néerlandais, Français, Austro-Hongrois, Allemands, et Italiens. Il doit donc être considéré comme un acte auquel les porteurs doivent se soumettre non seulement parce qu'il est une loi, mais aussi parce qu'il se trouve muni de leur adhésion préalable.

Or, par les Articles 7 et 15 de ce Décret a été instituée dans chaque pays une *autorité* spéciale qui est l'intermédiaire nécessaire et *sui generis* entre les membres de notre Conseil nommés par elle, et les porteurs pris en bloc du pays où elle fonctionne. Ce sont ces autorités qui procèdent à la nomination des membres de notre Conseil; c'est à elle qu'il appartient d'apprécier si leur choix doit être soumis à la ratification d'une assemblée de porteurs; ce sont elles qui possèdent le droit de révocation de leurs délégués; c'est à leur consentement que reste subordonnée la conversion de la dette fixée à l'Article 3 du Décret.

Par l'institution de ces autorités, par les attributions et les pouvoirs qu'il leur a donnés, le Décret a nettement établi qu'il a voulu, d'une part, éviter tout contact direct entre les membres de notre Conseil et les porteurs qu'ils représentent et, d'autre part, ne reconnaître, dans chaque pays, les porteurs que *pris en bloc*, et ce en la personne morale des autorités qu'il a désignées aux Articles 7 et 15.

Par les considérations qui précèdent, le Conseil espère avoir suffisamment démontré qu'il résulte des rapports mêmes, que le Décret a établis, entre les porteurs, les *autorités* désignées aux Articles 7 et 15, et les membres de notre Conseil, qu'aucun lien légal n'existe entre ces derniers pris individuellement, et les porteurs; que, les membres de notre Conseil n'ont de comptes à rendre de leur gestion qu'à leurs commettants, c'est-à-dire aux *autorités* susmentionnées, et qu'ils ne sont individuellement responsables, à raison de l'exercice de leur mandat, qu'envers celles-ci seules respectivement; qu'en conséquence, enfin, aucune action ne saurait être, par un porteur ou même par plusieurs collectivement, portée devant aucun Tribunal, pour des faits concernant l'Administration de la Dette Publique Ottomane, contre un ou plusieurs membres de notre Conseil pris individuellement.

Tels sont le texte et l'esprit du Décret Impérial qui a institué la Dette Publique Ottomane, marqués d'ailleurs au coin du plus solide bon sens.

Car comment des intérêts aussi considérables que ceux qui sont confiés à notre Conseil, auraient-ils pu être efficacement garantis, si les membres qui le composent devaient s'attendre à voir chacune de leurs décisions, chacun de leurs votes, devenir l'objet d'une critique et aussi d'une réclamation en justice contre eux par le premier porteur venu?

Il se serait trouvé peu de personnes disposées à affronter de pareilles éventualités. En tous cas leur action se serait trouvée à chaque pas paralysée par les appréhensions d'un procès à soutenir, même contre un plaideur téméraire.

Il importe donc aux intérêts bien entendus des porteurs que l'ordre établi par le Décret et poursuivi depuis dix ans soit maintenu intégralement. Il importe aussi de faire cesser l'influence perturbatrice que les actions judiciaires comme celles du Sieur Lothair Feuchtwanger et de MM. Stiebel exercent sur l'Administration de la Dette Publique Ottomane.

C'est en s'inspirant de ces considérations, fondées sur les plus fortes raisons de droit, que le Conseil de la Dette Publique Ottomane a décidé d'opposer l'incompétence à toute action judiciaire intentée contre ses membres individuellement. Il est convaincu que tel sera l'avis du "Council of Foreign Bondholders" et il compte sur l'appui du Gouvernement de Sa Majesté Britannique pour mettre un terme à des instances qui sont de nature à porter une grave atteinte aux intérêts des porteurs de titres et au crédit de la Turquie.

Pour le Conseil d'Administration de la Dette Publique Ottomane:

Le Président,

(Signé) G. AUBARET.

No. 3.

The Marquis of Salisbury to Mr. Fane.

(No. 12.)

(Telegraphic.) P. *Foreign Office, February 9*, 1892.

IT is feared by the Council of Foreign Bondholders that the legal proceedings which certain German bondholders continue to institute against the Council of Administration of the Ottoman Public Debt may lead to the abolition of the Administration by the Sultan.

You should concert as to the best means of supporting the Council with your French, Italian, and Austrian colleagues.

We have not yet received any reply from the German Government to the request for their support, which Sir E. Malet was instructed to make on the 21st November last.

No. 4.

The Marquis of Salisbury to the Marquis of Dufferin.

(No. 19.)

My Lord, *Foreign Office, February* 10, 1891.

THE Italian Ambassador called here on the 8th instant and stated that the Council of the Ottoman Public Debt at Constantinople had sent a Memorial to the Italian Government, in which they urged that the Consular Courts are not competent to try the actions which are being brought by certain German bondholders against members of the Council.

Count Tornielli said that the Italian Government were disposed to express concurrence in this view, but were anxious, before doing so, to know if Her Majesty's Government would do the same.

I have instructed Her Majesty's Chargé d'Affaires at Constantinople to continue to support the Council, and to concert with his Austro-Hungarian, French, and Italian colleagues as to the best means of doing so.

Count Tornielli has been informed that this has been done, but that Her Majesty's Government could not express an opinion as to the competence of the Consular Tribunals without further consideration and consultation with the Law Officers of the Crown.

I am, &c.

(Signed) SALISBURY.

No. 5.

Foreign Office to Council of Foreign Bondholders.

E

Sir, *Foreign Office, February* 10, 1892.

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 5th instant, respecting the danger to the Ottoman Public Debt Administration from the continued attacks on the Council by certain German bondholders, and I am to inform you that Her Majesty's Chargé d'Affaires at Constantinople has been instructed by telegraph to continue his action in support of the Council.

I am, &c.

(Signed) P. CURRIE.

No. 6.

Mr. Fane to the Marquis of Salisbury.—(Received February 20.)

(No. 52. Confidential.)

My Lord, *Constantinople, February* 14, 1892.

IN obedience to instructions contained in your Lordship's telegram No. 12 of the 9th instant I have concerted with my Austrian, French, and Italian colleagues as to the best means of supporting the Ottoman Public Debt Administration, in respect to the proceedings which have been instituted in certain Courts of Law against some of the delegates.

As regards the apprehension that the Sultan may avail himself of the opportunity for abolishing the Administration, it does not appear to me, nor I believe to my colleagues, that there is much fear of His Majesty taking such a strong step. It is true that according to Article 20, of the Imperial Decree of December 1881 (which, for purpose of reference, I have the honour to inclose) the Sublime Porte has reserved the right of terminating or of "suspending" the arrangement with the creditors, but in that case it is provided in the same Article that the creditors shall re-enter into the plenitude of their original rights to the amount of the debt which they held previous to the arrangement of 1881. Moreover, according to the 18th Protocol of the Congress of Berlin, and the subsequent understanding come to between the Powers and the Porte, it seems to me that Turkey is sufficiently engaged towards the foreign Governments to respect the rights of the bondholders, and that if the existing arrangement were broken up she would have to come to a fresh understanding with Europe on the subject, such as it would not be convenient for the Sultan to engage

himself in. My suspicion is, that the fear of this danger has been put forward for the purpose of impressing, as much as possible, upon Her Majesty's and the other Governments the necessity of supporting the Council of the Debt, in the matter of the action taken by individual bondholders against certain of its members—those members feeling personally anxious that they should not come under examination before a Court.

Although, for the above reason, I do not fear the danger of the Administration of the Public Debt being broken up by His Majesty the Sultan, nothing could be more unfortunate than that its position should be lowered, and its continued management of business rendered difficult by such attacks as the present ones on the members of the Council. The Administration has done admirable work, not only in the interests of the bondholders, but also as promoting the credit of Turkey. The fruits of its labours are really astonishing, and in a paper which I drew up about a year ago, showing the results of the Administration of the six Indirect Contributions by the Council up to the year 1889-90, I arrived at the conclusion that these revenues had actually doubled since the time when they were taken out of Ottoman and placed in European hands—that is to say, in a space of about twelve years. In this paper I drew the moral, that an immense development of revenue would accrue to the Porte if it adopted a similarly sound method of administering (and especially of collecting) its internal taxes.

The Council of the Public Debt, instead of confining itself as before to the quiet and steady line of administering its revenues, has, unfortunately, I think, embarked since the last two years in schemes of debt conversion of a somewhat speculative character. This has somewhat discredited its members in the eyes of the business world at Constantinople, and has given rise to disappointments and jealousies on the part of those who conceive that either they have lost—or else have not sufficiently profited—by these operations. This is the cause of the present suit which it is proposed to lay against individual members of the Council, and I submit that in future it would be wise of the Council, and to the interest of the bondholders and of Turkish public credit, that the steadier course of former times should be pursued.

I have reason for thinking that the proceedings which have been instituted, at present, against the members of the Council, will be dropped, but this will not make it less advisable to arrive at a definite understanding for the future that the members of the Council cannot be proceeded against in their administrative capacity, at the caprice of any individual bondholders (or group of bondholders) who may disapprove of the management of the debt.

I now proceed to do myself the honour of reporting to your Lordship the recommendations which my colleagues of Austria, Italy, and France, and myself, have agreed upon to submit to our several Governments.

We respectfully advise that an exchange of views should take place between the four Governments with the object of their agreeing, in the first place, upon an unanimous expression of opinion that, according to the Decree of 1881, each of the delegates of the Public Debt at Constantinople is responsible solely to his own Syndicate in London, Paris, Vienna, Berlin, or Rome, he having been appointed by that Syndicate, and acting at Constantinople in the sole character of its agent. That this being the case, no delegate can be held accountable, legally or otherwise, to any other Syndicate excepting his own, to any single creditor, or group of creditors, or to the creditors as a body.

The above statement of principle is laid down in a Memorandum, dated the 21st January last, which was addressed by the Council of the Debt to the various Syndicates, and which probably has already been communicated to your Lordship. I nevertheless inclose a copy of it. The correctness of this view appears to be also supported by the Austro-Hungarian Government in a Circular Confidential despatch addressed to its Representatives, and of which I have been unofficially furnished with a copy by Baron Calice. I have the honour to inclose a translation by Lord Terence Blackwood of this despatch.

My colleagues and I would next suggest to our Governments that, after having arrived at a general adoption of the above-stated view, they should severally inform each representative Syndicate of this being the unanimous opinion of the four Cabinets in respect to the limit of the responsibility of the delegates, so that the Syndicates may be in a position to adduce this opinion as evidence in arguing against the competency of any Court to hear a suit brought against a delegate by anybody except his own Syndicate.

Lastly, we beg to propose that we should receive instructions, informing us of the

above view by the four Governments, and desiring us to use our discretion in eliciting from the Porte an opinion, that the view in question was in accordance with the rightful interpretation of the Decree of December 1881.

My own fear is, that a Court of Law would not admit as evidence a statement by the four Governments, of their collective opinion, as to the legal responsibility of the delegates, any more than it would receive the opinion of a private person. In fact, a private person's opinion would more easily be accepted, because he could be subjected to cross-examination.

I have strongly represented this difficulty to my Austrian colleague, and have urged upon him that the only opinion of real and undoubted value would be that of the Sublime Porte, who are the natural interpreters of the force and meaning of the Decree of 1881. The interpretation by the Ottoman Government of the Sultan's Imperial Iradé would unquestionably be admitted as evidence, and would, if favourable to our view, probably dispose at once of the pretention of the bondholders to sue the delegates. The French Ambassador shares entirely this view of mine, and thinks that the Porte would be willing at once to support our interpretation of the position of the delegates, under the Decree, with respect to their non-responsibility to anybody except their own Syndicates. M. Caillard also believes that the Porte would agree with us.

We have, however, deferred to the Austrian Ambassador's opinion, that it will be safer to wait for our instructions before approaching the Ottoman Government on the subject, his Excellency observing that we shall then be able to place before the Porte the unanimous opinion of our Governments, and invite it to corroborate that opinion.

I have, &c.
(Signed) EDMUND FANE.

Inclosure 1 in No. 6.

Article 20 of Imperial Decree of December 20, 1881.

Rentrée des Porteurs dans les Droits acquis par les Contrats originaux.

DANS le cas où le Gouvernement casserait ou suspendrait l'arrangement présent, les porteurs rentreront dans la plénitude de leurs droits établis par les contrats originaux d'emprunts, en tant que leurs titres n'auront pas encore été amortis, en conformité avec les dispositions du présent Décret.

Les sûretés données aux porteurs, par les contrats originaux d'emprunts, resteront affectées pour la sauvegarde des dits droits, jusqu'à ce que les emprunts, auxquels sont affectées ces sûretés par les contrats respectifs, soient complètement éteints, en conformité avec les dispositions du présent Décret.

Inclosure 2 in No. 6.

Confidential Despatch addressed to the Missions in Berlin, Paris, London, and Rome.

(Translation.) *Vienna, February 3, 1892.*

SINCE the beginning of 1882 the management of the receipts destined for the payment of the interest and for the redemption of the Turkish Debt has been in the hands of a Council of Administration sitting in Constantinople, on which the Syndicate of foreign holders of Turkish bonds in Berlin, London, Rome, and Vienna, as also a group of Constantinople banks, are represented by delegates.

This Administration is founded upon an agreement drawn up in the year 1881 (and sanctioned by an Imperial Iradé of His Majesty the Sultan), between the above-named Syndicates and the Turkish Government. It has been working uninterruptedly for a period of nearly ten years, and by the results which it has hitherto obtained, has essentially contributed to the raising of the public credit, and thereby to the improvement in the position of the State creditors.

But lately, so we are advised from Constantinople, in consequence of dissensions in the bosom of the above-mentioned Council of Administration, an agitation hostile

to the Council has been set on foot. Various discontented claimants among the foreign holders of Turkish Government stock have protested against certain measures of the Council, and have sought to make single members of it responsible for what they assert to be injurious resolutions.

Thus, a complaint of this sort has been lodged in the British Supreme Court at Constantinople [*lit.* "in the British Consulate-General as a Court"], and another, against all the members of the Council in the Prussian Provincial Court ("Landgericht") of Frankfort-am-Main.

The Council for the Administration of the Turkish Debt felt itself, therefore, compelled to address a Memorandum (dated the 21st January of this year) to the Syndicates of the holders of Turkish bonds in Vienna, Berlin, Paris, London, and Rome, in which it discussed the limits of the responsibility of the individual Councillors for any resolution taken by the Council in its corporate capacity.

It then, basing itself upon the Imperial Iradé of the year 1881, by which the Council of Administration of the Turkish Debt was called into being with its present constitution, showed that each individual member of the "Conseil de la Dette" is responsible for his action in the Council solely to that Syndicate of creditors by whom he was appointed, and that on the other hand there is no legal bond between this member of the Council and any other Syndicate of creditors, or between him and any single creditor or group of creditors, or between him and the creditors as a body, and that, therefore, the individual member of the Council cannot be held responsible towards them.

The Council of Administration has further pointed out the grave injury which might accrue to its efficiency were its members threatened in the independence of their votes by the arbitrary and wanton attacks of single creditors or group of creditors.

The Royal and Imperial Ambassador in Constantinople has forwarded to this Office a copy of the above Memorandum addressed by the Council of Turkish Bondholders to the European Syndicate of creditors. He gave it at the same time as his opinion that the view of the Council as to the legal responsibility of its members is in complete accordance both with the words of the Imperial Iradé of December 1881 and with the essential character of the Administration under discussion. The Ambassador further stated that the public recognition of the correctness of this legal standpoint is an indispensable pre-condition for the undisturbed continuance of the present institution of Public Debt in Constantinople, an institution highly important for the Turkish public credit.

Since this question affects the interests of all holders of Turkish Government stock, the Government should be informed of attacks directed against members of the "Conseil de la Dette."

I therefore beg your Excellency, should this subject be discussed with you, to state that we are fully convinced of the correctness of the view of the Council of Administration as to the responsibility of its individual members, and that, should the opportunity arise, we are prepared to use our best endeavours to bring about an explanation in this sense.

Inclosure 3 in No. 6.

The Council of Administration of the Ottoman Public Debt to the Council of Foreign Bondholders, January 21, 1892.

[See Inclosure in No. 2.]

No. 7.

Mr. Fane to the Marquis of Salisbury.—(Received February 22.)

(No. 26.)
(Telegraphic.) P. *Constantinople, February 22, 1892, 12·10 P.M.*

I HAVE the honour to report, with reference to my despatch to your Lordship No. 52 of the 14th instant, that the suits brought against the members of the Council of the Public Debt have been withdrawn.

There appears therefore to be no pressing necessity for the Representatives of the four Governments to take collective action.

No. 8.

Sir E. Malet to the Marquis of Salisbury.—(*Received February* 29.)

(No. 56.)

My Lord, *Berlin, February* 27, 1892.

I OBSERVE in the Confidential correspondence the paragraph in your Lordship's telegram to Mr. Fane No. 12 of the 9th instant, saying that no reply has yet been received from the German Government to the request which was made to them for their support in the matter of the legal proceedings taken by certain German bondholders against the Council of the Administration of the Ottoman Public Debt.

On receiving your Lordship's telegram No. 11 of the 21st November last, I wrote a letter to Baron von Marschall urging that the Imperial Representative at Constantinople should be instructed to support the Council, and in an interview which I had subsequently with his Excellency he told me that the matter was under the consideration of the Law Officers of the Crown, that the Government undoubtedly recognized the great utility of the Council of Administration and generally upheld it, but that, in this particular instance, it might be difficult to intervene, because it was German subjects who had invoked the machinery of the law. I understood his Excellency to add that when he had received the advice of the Law Officers he would give the answer through the German Embassy in London.

I observe that the proceedings in question have now been abandoned.

I have, &c.

(Signed) EDWARD B. MALET.

No. 9.

Mr. Fane to the Marquis of Salisbury.—(*Received March* 4.)

(No. 60.)

My Lord, *Constantinople, February* 21, 1892.

WITH reference to my despatch No. 52 of the 14th instant, I have the honour to report that the suits instituted at Frankfort and Constantinople against certain members of the Council of the Ottoman Public Debt have been withdrawn, a compromise having been arrived at with the plaintiffs, who, being holders of the security known as the "lots Turcs," had considered that this security had been lessened in value in consequence of the conversion, operated in 1890 by the Council of the Public Debt, of the Priority Loan.

I have the honour to inclose herewith a Memorandum (in French) describing the terms of this compromise, which has been furnished to me by one of the principal negotiators of the arrangement, and to which I have annexed a short explanation of the effects of the agreement. I understand that before the agreement can be carried out, the Sultan's Iradé will be necessary, but there is little doubt of this being obtained.

I have, &c.

(Signed) EDMUND FANE.

Inclosure in No. 9.

Memorandum.

LES sommes restant libres par suite du remboursement définitif des anciens tirages ne seront plus employés au rachat. Elles serviront à élever les taux des primes et des amortissements des lots Turcs—et cela à partir du 13 Mars, 1892.

2. Les lots Turcs participent en raison de leur capital nominal à l'annuité des £T. 49,500 actuellement allouées à la Série D par suite de la conversion des Priorités 5 pour Cent, soit à une somme de £T. 12,091, laquelle sera appliquée au rachat des lots Turcs dans les mêmes conditions que le rachat actuel, ce à partir du 13 Mars, 1892.

3. Il sera affecté à l'amortissement exclusif de la Série D l'annuité des £T. 9,454 84 p. allouées actuellement aux titres et non payées des Emprunts 1863, 1864, 1865, and 1873, qui deviendront libres à partir du 13 Mars, 1895, et ce pour toute la durée de la Série D.

It has been explained to me that the effect of the arrangement will be—

1. That the drawing of the prizes and of the amortizations of the "lots Turcs" will be paid at the rate of 72 per cent., instead of as, up to the present time, at the rate only of 58 per cent. This means, in other words, an increase in the value of the prizes and amortizations, and a consequent increase in the value of the "promesses," that is to say, the Porte's "promises to pay."

2. The "lots Turcs" will receive yearly £T. 12,091 out of the 45,000*l.*, which by the Priority conversion was allowed exclusively to Series D.

3. In order to give colourable compensation to the Series D, the so-called indemnity available after 1895, allotted hitherto to the "lots Turcs," will now be transferred to Series D.

February 20, 1892. E. F.

No. 10.

Count Bylandt to the Marquis of Salisbury.—(*Received March* 12.)

M. le Marquis, *Londres, le* 11 *Mars*, 1892.

PAR l'intermédiaire de son Représentant près la Sublime Porte, le Gouvernement Néerlandais a obtenu connaissance d'un Mémorandum que le Conseil d'Administration de la Dette Publique Ottomane a adressé en date du 21 Janvier dernier au "Council of Foreign Bondholders" à Londres, au sujet de certains procès intentés récemment au dit Conseil.

De même, M. van Tets a fait part à son Gouvernement que ce Mémorandum avait donné lieu à des pourparlers entre les Représentants des Grandes Puissances à Constantinople, qui à cet égard seraient tombés d'accord sur certaines propositions qu'ils ont soumises au Conseil d'Administration.

Ces faits, qui, sans aucun doute, sont connus de votre Seigneurie, et dans les détails desquels elle voudra bien, par conséquent, me dispenser d'entrer, font supposer que les Puissances précitées ont considéré, ou sont sur le point de considérer, entre elles les propositions de leurs Représentants respectifs, et dans ces circonstances le Gouvernement Néerlandais croit devoir appeler l'attention sur les conséquences qu'aurait pour les détenteurs Néerlandais de fonds Turcs l'adoption éventuelle de ces propositions.

Bien que n'ayant pas de représentant spécial dans le Conseil d'Administration de la Dette Publique Ottomane, les porteurs Néerlandais possédaient jusqu'à présent, en commun avec les porteurs d'autre nationalité, en dernière instance le droit incontestable de recours à la justice s'ils se croyaient atteints dans leurs intérêts par les décisions du Conseil.

Cependant, l'interprétation de la loi à laquelle les Puissances semblent maintenant être favorables tendrait à priver les porteurs Néerlandais de toute prise sur le Représentant qui leur a été assigné par le Décret du 28 Mouharrem, 1297, et en somme du dernier moyen qui leur restait de revendiquer leurs droits le cas échéant; car il est évident qu'ils ne peuvent pas tenir le Syndicat d'Amsterdam responsable devant la loi des décisions d'un Conseil d'Administration, sur lequel il n'exerce aucune influence effective, ni des actions d'un Délégué qu'il ne peut ni nommer ni révoquer, aquuel il peut exprimer sa manière de voir, mais qu'il ne peut contraindre à la faire valoir au sein de Conseil.

Il en résulterait que les intérêts Néerlandais, si considérables qu'ils fussent, seraient irrévocablement livrés à la merci des Syndicats des autres pays, qui, de leur coté, conserveraient une certaine influence sur le Conseil d'Administration de la Dette Publique Ottomane par le fait qu'ils y envoient un Délégué spécial, leur propre mandataire.

Votre Seigneurie conviendra, j'ose l'espérer, que cet état de choses ne serait point conforme aux vastes intérêts que représentent les porteurs Néerlandais, intérêts que du reste, en 1881 déjà, les Puissances jugèrent si importants qu'elles ne purent se refuser de reconnaître que le droit d'être représentés au Conseil d'Administration à Constantinople revenait aux porteurs Néerlandais, et qu'elles décidèrent que ces intérêts seraient confiés aux soins du Représentant des porteurs Anglais.

En vérité, l'état de chose existant est menacé d'un changement fondamental par les récentes propositions des Puissances, qui une fois adoptées et appliquées, rendraient la représentation actuel des intérêts Néerlandais purement illusoire.

Mon Gouvernement m'a chargé spécialement, M. le Marquis, de diriger votre attention sur cet état de choses anormal, et de faire un appel a votre jugement équitable en exprimant l'espoir que vous voudrez bien prêter vos bons offices pour y remédier, en obtenant, si possible, en faveur des porteurs Néerlandais, le droit de se faire représenter au Conseil d'Administration de la Dette Publique Ottomane par un Délégué spécial.

Veuillez, &c.
(Pour le Comte de Bylandt),
(Signé) GEVERS.

No. 11.

The Marquis of Salisbury to Count de Bylandt.

(Confidential.)

Foreign Office, March 19, 1892.

M. le Ministre,

I HAVE the honour to acknowledge the receipt of your note of the 11th instant, respecting the proceedings which were instituted a short time ago against some of the Delegates on the Council of the Ottoman Public Debt Administration, and I transmit herewith, for the confidential information of the Netherlands Government, a Memorandum explanatory of what has taken place on the subject. From this statement the Netherlands Government will see that there has been no question on the part of Her Majesty's Government of interfering with the legal remedies open to any of the bondholders against the Delegate representing them.

In the present condition of affairs regarding the Council of Administration it appears to Her Majesty's Government to be unadvisable to raise the question of remodelling its constitution, but I will communicate with Her Majesty's Ambassador at Constantinople on the subject of the wish expressed by the Netherlands Government that the Dutch bondholders should be directly represented on the Council.

I have, &c.
(Signed) SALISBURY.

Inclosure in No. 11.

Memorandum.

(Confidential.)

IN November last the attention of Her Majesty's Government was called by the Council of Foreign Bondholders to the attack which was being made against the Council of Administration of the Ottoman Public Debt by certain German establishments in connection with the conversion of the Priority Loan, which attack had culminated in the institution of legal proceedings against individual members of the Council.

It was stated that the object of this attack was, among other proposed changes, to deprive the English and French Delegates of the right secured to them by the International Commission of 1881 of presiding over the Council, and to give this right alternately to all the members composing it.

Her Majesty's Ambassador at Constantinople was thereupon instructed to carefully watch the proceedings in this matter, and to use his influence to prevent the existing constitution of the Council being interfered with.

Her Majesty's Representatives at Berlin, Vienna, and Rome were also instructed to urge the Governments to which they are accredited to give their support to the Council.

At the beginning of February of this year the Council of Foreign Bondholders approached Lord Salisbury again on the subject. They stated that not only had the attacks not been discontinued, but that they had increased. It was feared that the Sultan, seeing his Imperial Iradés continually made the object of discussion and litigation in foreign Courts of Law, and the reviving credit of his Empire thereby imperilled, would lose patience and simply annul the Decree constituting the Administration.

The Council of Foreign Bondholders therefore requested Lord Salisbury to take such action as he might think proper in support of that institution.

Her Majesty's Chargé d'Affaires at Constantinople was thereupon instructed to

concert with his French, Italian, and Austrian colleagues as to the best means of supporting the Council.

On the 14th February Mr. Fane reported that he had carried out these directions, and that his colleagues and himself had agreed to advise that an exchange of views should take place between the four Governments, with the object of their agreeing, in the first place, upon an unanimous expression of opinion that, according to the Decree of 1881, each of the Delegates of the Public Debt at Constantinople is responsible solely to his own Syndicate, he having been appointed by that Syndicate, and acting at Constantinople in the sole character of its agent. That, this being the case, no Delegate can be held accountable, legally or otherwise, to any other Syndicate, to any single creditor or group of creditors, or to the creditors as a body.

They next suggested that the Governments, having arrived at a general adoption of the view above stated, should inform each representative Syndicate of this being the unanimous opinion of the four Cabinets in respect to the limit of the responsibility of the Delegates; and, lastly, they proposed that they should receive instructions informing them of the above view, and desiring them to use their discretion in eliciting from the Porte an expression of opinion that the view in question was in accordance with the rightful interpretation of the Decree of December 1881.

No action was taken by Her Majesty's Government on these suggestions, as, while they were still under consideration, the news was received that the suits which had been brought against the Delegates had been withdrawn on terms arranged between the parties, and consequently the matter was then allowed to drop.

The position of the Netherlands bondholders has not, therefore, been in any way modified by what has hitherto occurred. But if any further step were taken to limit the legal responsibilities of the several members of the Council it would not be difficult to find a wording which should insure to the Netherlands Syndicate the right of legal procedure against the Delegate who represents it on the Council.

No. 12.

Sir E. Malet to the Marquis of Salisbury.—(Received March 21.)

(No. 81. Confidential.)

Berlin, March 19, 1892.

My Lord,

I HAVE the honour to inform your Lordship that Herr Rudolph Lindau has been appointed German Representative on the Council of Foreign Bondholders at Constantinople.

Herr Lindau has hitherto been in Government employment in the Foreign Office, and had the management of the Bureau of the Press. He is a gentleman of intelligence and agreeable manners.

Baron von Marschall tells me that before consenting to the nomination his Excellency had made it a condition that Herr Lindau should be independent of the control of Herr von Bleichröder, by whom the appointment is made. Under the former arrangement the German Representative had to act under instructions from Herr von Bleichröder, though they might be in opposition to the wishes of the German Government, and Baron von Marschall wished that this anomaly should cease.

I have, &c.
(Signed) EDWARD B. MALET.

No. 13.

Sir Clare Ford to the Marquis of Salisbury.—(Received June 10.)

(No. 57. Commercial.)

Constantinople, June 6, 1892.

My Lord,

I HAVE the honour to inclose herein copy of a letter which has been addressed to me at my request by Mr. Caillard, President of the Council of the Public Debt of Turkey, inclosing a Memorandum regarding the proposed conversion of the Turkish Debt, which it will interest your Lordship to peruse.

I have, &c.
(Signed) FRANCIS CLARE FORD.

Inclosure 1 in No. 13.

Mr. Caillard to Sir Clare Ford.

Sir, *Constantinople, May 25, 1892.*

I HAVE the honour to inclose to your Excellency herewith, at the request which Mr. Fane was good enough to transmit to me from you, a Memorandum on the proposed conversion of the Turkish Debt, together with two inclosures, namely: (1) Copy of a private letter which I ventured to address to Lord Salisbury on the matter, and (2) a résumé of the proposed operation which I drew up for the information of my colleagues, and which I inclosed in the letter to Lord Salisbury.

I have, &c.

(Signed) VINCENT CAILLARD.

Inclosure 2 in No. 13.

Memorandum.

THE idea at the root of the conversion proposed by M. Élie Léon is by no means a new one. When, rather more than ten years ago, the Turkish Government came to a composition with its external creditors, Turkey was still crushed, both physically and morally, by the effects of the recent war; she was painfully aware of the disastrous effect which her bankruptcy had produced upon the minds of those who had been her best friends—the English. She was trembling at the idea, mooted at the Congress of Berlin, of an international financial control. Moreover, she found all doors shut to her in the way of credit. She was thus willing to make very considerable sacrifices without thinking too seriously of the disagreeables which these sacrifices might bring upon her in the future. The first step had, indeed, already been taken, under the pressing exigencies of the moment, by the Convention with the "Galata bankers."

The arrangement with the external creditors of Turkey was consecrated by the Imperial Decree of Mouharrem 1881, which forms the Constitutive Act of the Public Debt Administration. Under this Decree Turkey irrevocably abandoned to her creditors, until the complete extinction of the debt, certain resources and revenues to be administered by a Council chosen by the creditors themselves. Amongst these revenues were comprised some of the most elastic which the Empire could show, namely, certain "Indirect Contributions." Under the administration of the Council (an administration which still, however, leaves much to be desired), the "Indirect Contributions" have shown a steady and marked increase, as can be seen by a perusal of the able Report by Mr. Fane on the "Administration of the Public Debt" (No. 1007, "Diplomatic and Consular Reports on Trade and Finance").

By the same Decree a minimum interest of 1 per cent. on the reduced nominal capital was assured, and the various loans were classed under fixed categories as to the action of the sinking fund, now known as Series A, B, C, D. So far the revenues have not afforded a sufficient annuity to increase the interest, but the sinking fund has swollen year by year, and 60 per cent. of Series A has now been redeemed. The natural result of this is that the market price of Series A stands very much higher than that of the other series, it being to-day 50 as against a little over 20 for Series C and D, which form the mass of the debt. This amounts to saying that whilst Turkey is paying 5 per cent. for the mass of the debt, she is obliged to amortize part of it, receiving only 2 per cent. interest. It is unnecessary to point out what a disadvantage this is in the action of an accumulative sinking fund.

Thus, the Turkish Government observes revenues rapidly increasing, but in whose increase it has deprived itself of having any part or lot, and at the same time the sinking fund acting, for the larger part, on the least expensive category of the debt. It can only be considered natural that it should desire to see these disadvantages removed, at any rate in part. It was with this object that the project of a general conversion, or, more properly speaking, *unification*, of the debt was conceived, of which the leading ideas are to fix, once and for all, the annuity necessary for the service of the debt, the surplus above such annuity going to the Imperial Treasury, and to let the sinking fund act, impartially, on the whole mass of the debt. For three years past this project has been more or less discussed, but no practical issue to the discussion had been found, the main difficulty being that the revenues were not

sufficient to meet the conditions which the bondholders would have a right to expect in exchange for the renunciation of the future advantages which the Decree of Mouharrem held out to them.

In May last year, for reasons into which it is quite unnecessary for me to enter, the former French and German Delegates to the Council of the Public Debt submitted to the Government (without consulting their colleagues) a scheme of unification of the Public Debt, which it is beside the purpose for me to describe, but which was so utterly unsound, financially, that I formally opposed it the moment I heard of it, and it was never taken into official consideration. It had, however, the effect of making the Sultan keener than ever to obtain some practical scheme, and it is certain, I think, that the "Projet de Conversion" now brought forward by M. Élie Léon, of Paris, is seed falling on a well-cultivated soil.

This project is described in Inclosure No. 1 accompanying this Memorandum, and is discussed in Inclosure No. 2.*

I think that at the present stage there is little to be added to what is said in the latter, except what I propose to say here as to the execution of the project. In regard to this point, the essential object to be kept in view is that the Turkish Government should avoid doing anything which could in any way be interpreted as bad faith, or approaching a second act of bankruptcy. In order that this object may be attained, there are four conditions which must be abided by:—

1. Article 7 of the Decree of Mouharrem must be strictly followed as the mode of procedure to be adopted. This Article runs as follows:

"*Conversion et Unification de la Dette.*

"Le Conseil d'Administration aura le droit, d'accord avec le Gouvernement Impérial Ottoman, de procéder à la conversion de la totalité ou d'une partie de la Dette fixée à Article 3.

"Cependant cette opération est subordonnée:

"En Angleterre, au consentement d'une majorité représentant les trois quarts de la valeur de chaque emprunt à convertir ou, à son défaut, au consentement de la majorité des dits porteurs avec la sanction du 'Council of Foreign Bondholders.'

"En France, en Allemagne, et en Autriche-Hongrie au consentement des Syndicats des établissements financiers qui ont adhéré à la communication du Gouvernement Impérial du 23 Octobre, 1880, et, s'il y a lieu, à la sanction de la majorité des porteurs donnée en assemblées publiques.

"En Italie, au consentement des Chambres de Commerce du Royaume, et, s'il y a lieu, à la sanction de la majorité des porteurs donnée en assemblée publique."

The Article is clear and explicit, and requires, I think, no amplification. The Government can do nothing in the way of a conversion except through the Council of the Public Debt; the previous consent of a majority of the bondholders is required (in England, a majority of three-fourths of each loan to be converted).

2. The interest of the Turkish Lottery bondholders must be guarded, as, owing to the peculiar nature of the Lottery Loan, it was impossible to include the latter in what was improperly termed the "conversion of 1885," which was simply an exchange of the old bonds, the conditions of which were wholly changed, against new bonds on which the new conditions were printed. Series D does not include the Lottery bonds.

It is, however, now proposed to convert Series A, B, C, D, the Lottery bonds being left aside, it being impossible, again owing to the peculiar nature of the loan, to include them in any operation of the kind.

Now, under the Decree of Mouharrem, the Lottery bonds are classed in the *fourth group*, which means that they share all advantages *pari passu* with Series D. Moreover, the Lottery Loan will not be extinguished until 1974, whereas it may be confidently assumed that, were no conversion to take place, the four series would become extinguished by 1940. Subsequently to that date the whole of the "ceded revenues" would be assigned to the service of the Lottery bonds. But if the conversion were to take place, all these prospective advantages would be lost to the Lottery Loan, because Series D would have disappeared, and the annuity necessary for the service of the debt would be fixed once and for all, all surplus going to the Government.

This being the case, it is clear that a gross injustice would be done if the conver-

* Not printed.

sion were carried out without some arrangement having been made in favour of the Lottery bondholders to compensate them for the loss of their prospective advantages; and, in my opinion, this arrangement should obtain their *previous* consent.

3. The next point to which it is necessary to allude is the sufficiency of guarantee offered by the present revenues for the service of the proposed Unified Debt. By examining Tables 1 and 2 (Inclosure 1) it will be observed that, whereas the annuity necessary for the service of the Debt (without any provision having been made in favour of the Lottery Loan, as above regulated) amounts to 1,475,728*l.* (Table 1), the present revenues, even when assuming that the favourable Budget Estimates for this year are certain to be realized, provide an annuity of only 1,430,212*l.* (Table 2), a deficit thus appearing of over 45,000*l.* The Unified Debt would be, therefore, in the matter of security, on conditions far inferior to those under which the present debt exists, for (as will be seen from Table 2) the annuity now necessary for interest is 858,790*l.*, the margin left being the 571,422*l.* which are now applied to sinking fund. The Government, well aware of this fault in the project, is endeavouring to work out schemes by which still further to reduce the capital of the proposed Unified Debt; but as this can only be done at the expense of the bondholders, and the latter would not accept, unless I am much mistaken, less favourable terms than those offered by M. Léon's scheme, these are vain attempts.

If the Government wishes to carry the scheme into effect it must make up its mind to acknowledge the truth that "you can't eat your cake and have it," and must assign fresh revenues to the Public Debt Administration in order to set the Unified Debt on as solid a foundation as that on which the present debt rests.

4. Lastly, always with the object of maintaining the credit of the Empire by keeping faith with solemn engagements, and in no way diminishing the security of the Public Debt, it is essential that the Government should *explicitly* maintain all the provisions of the Decree of Mouharrem which are not modified by the unification of the series.

The main conditions, therefore, to be observed if the Government wishes to carry out the proposed scheme are:—

1. That it be executed in strict conformity with the Decree of Mouharrem, and especially with Article 7 of that Decree.

2. That a satisfactory arrangement be made for the Lottery bondholders, whose previous assent to such arrangement should be obtained.

3. That sufficient additional revenues should be assigned to render the service of the Unified Debt absolutely secure.

4. That all the provisions of the Decree of Mouharrem, not modified by the unification of the series, be explicitly maintained.

(Signed) VINCENT CAILLARD.

Constantinople, May 25, 1892.

No. 14.

Morel Bey to the Marquis of Salisbury.—(*Received August* 10.)

M. le Marquis, *Ambassade Impériale de Turquie, Londres, le* 9 *Août*, 1892.

EN me référant à la correspondance précédemment échangée entre l'Ambassade Impériale et le Gouvernement de Sa Majesté Britannique, relativement à l'excédent des revenus de l'Ile de Chypre, et en particulier à la note de votre Seigneurie du 13 Mars, 1889, j'ai l'honneur d'informer votre Seigneurie que cette dernière note, ainsi que les documents y annexés, a été de la part de la Sublime Porte l'objet d'un examen très attentif, et que cet examen a abouti aux conclusions suivantes, que je suis chargé de porter à la connaissance de votre Seigneurie.

Le Gouvernement Impérial, dans son désir de mettre fin à la longue controverse à laquelle cette question a donné lieu, et de la régler d'une manière définitive, accepte le chiffre de 10,507,110 piastres comme représentant l'excédent des revenus de Chypre. Cette somme est celle qui avait été établie par les calculs du Gouvernement Anglais.

Il est bien entendu, toutefois, que la somme de 5,000*l.* fixée par l'arrangement du 3 Février, 1879, comme représentant les recettes annuelles du "tapou," n'est pas comprise dans le chiffre sus-indiqué.

D'autre part, la Sublime Porte demande que les comptes arriérés des quatorze dernières années soient liquidés; que le sel provenant des Salines de Chypre lui soit remis, conformément à l'entente précédemment intervenue, après déduction de la quantité nécessaire à la consommation locale; que les reçus relatifs aux payements effectués pour les pensions, intérêts et redevances soient envoyés au Ministère des Finances, et qu'avis lui soit donné des vacances éventuelles.

Le Gouvernement Impérial serait heureux d'apprendre que les termes susindiqués, qui auraient pour résultat de terminer une affaire qui a déjà donné lieu à de très longues négociations, ont rencontré l'approbation du Gouvernement de Sa Majesté la Reine.

J'ai, &c.

(Signé) G. MOREL.

No. 15.

Foreign Office to Colonial Office.

Sir, *Foreign Office, August* 13, 1892.

WITH reference to your letter of the 6th March, 1889, I am directed by the Marquis of Salisbury to transmit to you, to be laid before the Secretary of State for the Colonies, a copy of a note from the Turkish Chargé d'Affaires relative to the question of the amount of the Cyprus tribute.*

It will be seen that the Porte now accepts the calculation of Her Majesty's Government of 10,507,110 piastres as representing the surplus revenue of Cyprus, exclusive of the 5,000*l.* fixed by the Agreement of the 3rd February, 1879, on account of the "tapou" receipts.

The Porte now asks—

(1.) That the arrears of tribute due for the last fourteen years be paid;

(2.) That the salt tribute due to Turkey be handed over;

(3.) That the receipts showing the payments made by Cyprus on account of pensions, repayment of forced loans, Commissions, &c., be sent to the Ministry of Finance at Constantinople, and

(4.) That due notice be given of all lapses of pensions as they occur.

I am to request that you will move Lord Knutsford to inform Lord Salisbury, after communication with the Treasury, of the nature of the answer which should be returned to Morel Bey's communication.

In the Memorandum, which was communicated confidentially to Rustem Pasha by the Chancellor of the Exchequer on the 15th August, 1888, it was shown that, according to the English calculation, there was at that time a balance in favour of the Turkish Government on account of Cyprus of 44,264*l.*, 17*s.* supposing that Her Majesty's Government consented to waive their claims with reference to the sinking fund of the Guaranteed Loan of 1855.

I am, &c.

(Signed) T. H. SANDERSON.

No. 16.

Sir Clare Ford to the Marquis of Salisbury.—(*Received August* 19.)

(No. 256.)

My Lord, *Constantinople, August* 14, 1892.

I HAVE the honour to inclose you herewith—

1. Copy of a pamphlet entitled "La Conversione delle Priorités dei Lots Turcs nel Debito Pubblico Ottomano."

2. Copy of the *procès-verbal* of the Public Debt Council, containing its deliberations in regard to that pamphlet.†

This pamphlet was drawn up by the Chamber of Commerce of Rome, the institution named in 1881 by the Italian Government to take part, on behalf of the Italian holders of Turkish bonds, in the Commission which assembled in Constantinople in that year to negotiate with the Government an arrangement for the renewal of the service of the External Turkish Debt. It takes the form of an elaborate attack upon the Council of Administration of the Ottoman Public Debt, in regard especially

* No. 14.

† Not printed.

to two points: (1) the conversion of the Priority Bonds in April 1890, which the Chamber of Commerce pretends should be considered null and void by the default of its consent to the operation; (2) the refusal of the Council of Administration to recognize officially a general meeting of the Italian bondholders to pronounce upon the modifications recently proposed in favour of a certain category of the Debt entitled Turkish Lottery Bonds.

Both these points are effectively answered by the deliberations of the Council contained in the *procès-verbal* inclosed, and I need not, I think, add anything to what is there said. I have, however, made careful inquiries into the origin of this attack, which I am credibly informed is as follows: When Herr Gerlich, the ex-German Delegate to the Public Debt Council, was preparing the agitation against that Council, which, as your Lordship will recollect, led to his being forced to resign, he applied to a certain Count Graziadei, then Agent of Baron Hirsch at Constantinople, to assist him by raising a similar agitation in Italy, and promised him as a reward that he would procure his nomination as Italian Delegate to the Council in succession to Signor Mancardi, just about to resign. Relying on this promise, Count Graziadei succeeded in raising the semblance of an agitation in Italy, but Herr Gerlich having, of course, no influence whatever in the matter, Count Graziadei was not named as Signor Mancardi's successor. He has not, however, relinquished either his hopes or his efforts to realize them, and with this end has threatened, through a legal protest issued against the Chamber of Commerce of Rome by a certain Carega, one of his instruments, to bring an action against the Chamber of Commerce for having in April 1890 consented to the conversion of the Priority Loan. The Chamber of Commerce having entirely neglected in the past all matters in connection with the Ottoman Public Debt, having even allowed the ex-Italian Delegate to remain absent nineteen and a-half months out of the last two years of his office, is filled with alarm at the prospect of having such carelessness exposed in a Court of Law; it has therefore implicitly followed the course advised by Count Graziadei, whose only object, which may or may not be known to the Chamber of Commerce, is to drive the present Italian Delegate from his post, in order that he may secure it for himself.

I beg to call your Lordship's attention to the fact, that the attitude taken up by the Chamber of Commerce of Rome is both incorrect and calculated to be highly prejudicial to the interests of all Turkish bondholders, a very large proportion of whom are English. Even if the complaints which it has published had been founded on correct facts and correct legal arguments, its proper course would clearly have been to ask, in the first place, explanations from the Public Debt Council, and, in the second, to consult with the other bondholders' Syndicates—a term which includes the English Council of Foreign Bondholders—in order to see what line of common action should have been adopted; it should in any case, in order to avoid injuring the interests confided to it, have done all in its power to avoid throwing any discredit upon the Public Debt Council, which has done in this country most excellent work, testified to by Mr. Fane in his Report on the Finances of Turkey and the Administration of the Ottoman Public Debt, dated the 22nd February, 1892. (Foreign Office, 1892, Annual Series 1007.) Instead of following this course, it proceeded at once to publish a violent attack upon that Council, with the clear intention of throwing as much discredit upon it as possible. The fact that one of the European Syndicates which treated with the Turkish Government in 1881 has taken up such an attitude tends to be very prejudicial to the security of the bondholders, as it demonstrates to the Turkish Government a want of unity amongst European bondholders themselves, which cannot but weaken the position of the Council in this country.

I wish also to call the particular attention of your Lordship to the statement which I have marked on page 24 of the pamphlet of the Chamber of Commerce of Rome, to the effect that its attitude has been approved by the Italian Government. Seeing especially that the material interest of Italy in the Ottoman Public Debt is inconsiderable, it is not credible that the Italian Government should have taken up, without any inquiry, such an unfriendly attitude towards a large English interest. This action is, moreover, in direct opposition to the request which your Lordship made to the Italian Government in December last, that it would instruct the Italian Ambassador at Constantinople to support the Council of Administration of the Ottoman Public Debt against the attacks which were being made on it in Germany, instructions which were, I understand, duly sent at the time.

I venture to suggest to your Lordship that it might be well to send instructions to the English Ambassador at Rome to request the Italian Government to put an end

as soon as possible to the undesirable agitation raised by the Chamber of Commerce of Rome, which is under the authority of the Italian Ministry of Commerce.

I have, &c.
(Signed) FRANCIS CLARE FORD.

No. 17.

Memorandum communicated by Count Tornielli, August 24, 1892.

LE Décret du Gouvernement Impérial Ottoman en date du 28 Mouharrem 1299 (8 Décembre, 1881), a réglé ce qui concerne les rapports du trésor Ottoman avec les porteurs de titres des différentes catégories de la Dette Turque.

Une disposition de ce Décret a établi qu'aucune modification ne peut y être introduite sans le consentement des porteurs des différentes nations.

Le 18 (30) Avril, 1890, un contrat a été fait pour régler la conversion des titres dits priorités, et des modifications ont été faites pour les lots Turcs sans que le consentement des assemblées des porteurs ait été obtenu.

Il en ressort :—

1. Que la conversion est nulle;
2. Que les porteurs conservent tous leurs droits antérieurs;
3. Que les modifications portées aux lots Turcs ne peuvent être valables si les assemblées des porteurs de ces titres ne les ont pas approuvées;
4. Que les Délégués, siégeant dans le Conseil d'Administration de la dette Ottomane, qui ont donné leur adhésion à ces modifications et au contrat d'Avril 1890, sans en avoir eu le mandat des assemblées des porteurs, sont responsables pour avoir dépassé leurs pouvoirs.

La Chambre de Commerce de Rome, agissant comme sindicat Italien dans cette affaire, attaquée elle-même par les porteurs, est arrivée aux conclusions ci-dessus exposées, et elle en a fait le sujet d'un mémoire qui a été communiqué, entre autres, au Comité Anglais, "Council of Foreign Bondholders."

Le Gouvernement Italien désirerait savoir ce que ce Comité Anglais pense des conclusions auxquelles le sindicat Italien s'est arrêté, et il vaudrait en même temps connaître à cet égard l'opinion du Gouvernement Britannique.

Août 1892.

No. 18.

Memorandum by Mr. Campbell.

Council of Foreign Bondholders, November 19, 1891.

WHEN the Arrangement, embodied in the Sultan's Iradé of the 20th December, 1881, was come to between Turkey and her creditors, the whole Debt was divided into four groups, the capital being much reduced, and the bondholders receiving a nominal 4 per cent. on the reduced capital. The same Decree established the Council of the Debt, and ceded certain revenues to it for the service of the Debt. The four groups received all the same interest, 4 per cent., but differed in the date at which they were to participate in the amount devoted to sinking fund. The "Lots Turcs" formed part of Group IV.

In 1885 a further "unification" took place, when Groups I, II, III, and IV became Series A, B, C, D. A, B, and C corresponded exactly to the old I, II, and III, but D did not include the "Lots Turcs," which, being repayable by drawings at a considerable premium (or rather with considerable "prizes" attached to some of the numbers drawn), it was considered should be treated apart.

When the Arrangement of 1881 was come to, however, there was one Turkish liability which was *not* included in the scheme of the general debt, namely, the so-called "Priority Loan," being the amount of advances made by certain Banks to the Porte at different times when the latter found itself in the direst financial straits.

This "Priority Loan" bore interest at 5 per cent., and required a sum of £T. 500,000 for its annual service, which formed a first charge on the revenues of the Council.

This "Priority Loan" was converted in April 1890, and an annual economy of £T. 160,000 (145,000*l.*) was thereby effected.

This £T. 160,000 was devoted to the sinking fund of the four Series A, B, C, D, but by some error as appears to be admitted, the "Lots Tures" were left out in the cold, and got no share of the £T. 160,000.

This is what some of the German bondholders complained of last year, and also forms the present grievance of the Roman Chamber of Commerce.

But according to the Council of the Debt, ample compensation was accorded to the holders of the "Lots Tures" at the time, and, further, the agitation was in reality directed at destroying the good understanding existing between England and France in regard to Turkish finances, and to the abolition of the alternative English and French yearly presidency of the Council of the Debt, and to confer that presidency on each member of the Council in turn. This view was to some extent confirmed by Sir W. White.

Sir W. White, No. 66, Telegraphic, November 19, 1891.

The reasons for the present Italian agitation are set forth in Sir C. Ford's despatch No. 256 of the 14th instant, and declared to be of a bogus nature.

Mr. Fane, No. 60, February 21, 1892.

On the 21st February last, Mr. Fane reported that a compromise had been arrived at, by which the "Lots Tures" would be paid off at 72 instead of at 58, and would receive moreover a yearly sum of 12,091*l.*, out of the 45,000*l.* allowed by the "Priority" conversion exclusively to Series D.

This appeared to satisfy the German complainants, as we have heard nothing more of the matter until now, when the question is again raised by the Roman Chamber of Commerce, who have issued a huge printed pamphlet of 106 pages on the subject.

The Chamber of Commerce protests against (1) the conversion of the "Priorities" of the 30th April, 1890, and (2) the modification of the present arrangements in regard to the "Lots Tures" ("modification au régime actuel des Lots Tures"). This modification would appear to be the compromise referred to above.

The Italian pamphlet was considered by the Council of the Ottoman Public Debt at a sitting held on the 4th instant, and was pronounced to be full of errors both of fact and of law. The Chamber of Commerce affirmed that the conversion of the "Priorities" was null and void, by reason of its consent not having been given to it in accordance with the terms of the Sultan's Iradé of the 20th December, 1881.

On this point the Council observes that it obtained the full and formal assent of the Italian Delegate, who stated that he was intrusted by the Chamber of Commerce with full powers;—that, moreover, all the *procès-verbaux* of the proceedings of the Council had been regularly communicated to the Roman Chamber of Commerce, which was thus kept *au courant* of all that took place with respect to the conversion both *before* and after the signature of the contract of the 30th April, 1890. The Chamber of Commerce, therefore, though fully aware of all that had been done, allowed nearly two years to elapse before taking any action in the matter, and never all this time wrote or telegraphed a word in disapproval of the action of their Delegate.

As regards the "Lots Tures," the Council points out that there is no question of their *conversion*, as stated on the title-page of the Italian pamphlet, but simply of a modification of the present Arrangement. The Council does not claim that such modification can be effected without the assent of the Chamber of Commerce. If this assent is withheld the present system must continue, but if it is given, the position of the "Lots Tures" will be improved.

The Council have accordingly fixed the 13th of next month (September) as the latest date to which they can wait for the assent of the Chamber of Commerce, and they state that if the notification of the approval of the Chamber has not then reached them, the distribution of the funds in hand on account of the "Lots Tures" will be proceeded with on the basis of the existing system.

F. A. C.

Foreign Office, August 29, 1892.

No. 19.

The Earl of Rosebery to Lord Vivian.

(No. 120.)

My Lord, *Foreign Office, September* 3, 1892.

THE Italian Ambassador communicated to me on the 24th ultimo a Memorandum, of which a copy is transmitted herewith,* on the subject of a complaint made by the Roman Chamber of Commerce, acting as Syndicate of the Italian holders of

* No. 17.

Turkish bonds, with regard to the action of the Council of Administration of the Ottoman Public Debt.

The Memorandum states that, although the Sultan's Iradé of the 20th December, 1881, provides that no change shall be introduced into the arrangements between the Ottoman Treasury and the holders of the various classes of Turkish bonds without the consent of the bondholders of all nationalities, the Priority bonds have been converted (in April 1890), and modifications have been introduced into the arrangements with regard to the "lots Tures" without the consent of all the Syndicates having been obtained.

The circumstances which have led up to this complaint appear from a Memorandum drawn up at the Foreign Office and from a despatch from Her Majesty's Ambassador at Constantinople, copies of which are inclosed for your Excellency's information.*

I have to request your Excellency to inform the Italian Government that, as regards the conversion of the Priority bonds, Her Majesty's Government understand that the Contract of the 30th April, 1890, was concluded with the full and formal assent of the Italian Delegate on the Council of the Ottoman Public Debt, and that, in their opinion, the length of time which the Roman Chamber of Commerce have allowed to elapse without disavowing his action or taking other steps in the matter would seem to preclude that body from now declaring the Contract to be null and void, on the ground that they have never assented to it.

With regard to the "lots Tures" your Excellency should state that, so far as Her Majesty's Government are aware, the Council do not claim the power to carry out the modification which it is proposed to introduce into the present arrangements without having first obtained the assent of the Italian Syndicate.

Your Excellency should remind the Italian Government of the assurances of support to the Council of the Administration of the Ottoman Debt which the Marquis di Rudini gave to Lord Dufferin in his note of the 26th November last (inclosed in his despatch No. 186 of the 27th), when a similar attack was being made on the Council, and you should state that, in view of the satisfactory results which have attended the labours of the Council in the restoration of the credit of Turkey, and the improvement effected by it in the position and prospects of the bondholders, it appears to Her Majesty's Government very undesirable that any action should be countenanced which would be calculated to discredit that institution in the eyes of the public.

I am, &c.

(Signed) ROSEBERY.

No. 20.

The Earl of Rosebery to Sir Clare Ford.

(No. 57.)

(Telegraphic.) P. *Foreign Office, September* 7, 1892.

I HAVE received your Excellency's telegram No. 97 of the 5th instant in regard to the surtaxe in Crete.

There does not appear to be any particular objection to the levy of this tax being continued. Her Majesty's Consul in Crete has, however, been requested to furnish a Report on the subject.

No. 21.

Colonial Office to Foreign Office.—(*Received September* 17.)

Sir, *Downing Street, September* 16, 1892.

I AM directed by the Marquis of Ripon to acknowledge the receipt of your letter of the 13th ultimo, with its inclosure, respecting the question of the amount of the Cyprus Tribute.

I am to express his Lordship's satisfaction at learning that the Turkish Government have now accepted the calculations of Her Majesty's Government as to the amount of the tribute payable in cash.

* Nos. 16 (Inclosure 2 only) and 18.

The total amount of 92,709*l.* 11*s.* 3*d.* is, as Lord Rosebery is doubtless aware, after deducting certain small amounts on account of pensions, repayment of forced loans, commission on transfer, &c., paid through the Crown Agents for the Colonies to the Paymaster-General to the credit of an account called "The Cyprus Tribute Account," but, as explained in the Colonial Office letter of the 18th July, 1888, the Secretary of State for the Colonies is not officially aware of the manner in which the money is subsequently applied, and it will therefore be for the Treasury to advise Lord Rosebery as to the application now made by the Porte with respect to the payment of arrears.

With regard to the request of the Porte, that the Salt Tribute due to Turkey in kind be handed over, I am to refer to the correspondence noted in the margin,* and to observe that it has always been open to the Turkish Government to send ships to Cyprus to take away the salt which they are entitled to have delivered to them at Larnaka, but that they do not appear to have ever answered the inquiry which was addressed to them in 1882, and repeated in 1883, as to whether they could do so. It only remains to be said on this occasion that Her Majesty's Government will, on receiving reasonable notice from the Turkish Government of their intention to send for the salt, direct the Cyprus Government to "win" or collect the proper quantity (viz., 5,208 tons per annum), in order that it may be ready to be taken away by the Representatives of the Turkish Government or of "l'Administration de la Dette Publique." The season for working the salines begins in May, and it would now be too late to commence operations this year, but the necessary instructions could be given for the work next year, and in following years, if timely notice is received that the salt will be taken away.

As regards the third request of the Porte, I am to observe that the Treasury are in possession of the accounts showing the details of the payments in connection with pensions, commissions, &c., which are deducted from the amount representing the tribute, and will no doubt be ready to supply Lord Rosebery with the particulars in tabulated form for the information of the Porte. These payments, so far as pensions are concerned, amounted to only 45*l.* 2*s.* 8*d.* in the year 1891-92.

In order to meet the fourth request of the Porte, viz., that due notice of the lapsing of pensions be given as they occur, the High Commissioner for Cyprus will be directed to notify such events to Her Majesty's Representative at Constantinople as they occur.

Copies of your letter and of this reply will be communicated to the Treasury.

I am, &c.
(Signed) EDWARD FAIRFIELD.

No. 22.

Lord Vivian to the Earl of Rosebery.—(Received September 19.)

(No. 195.)
My Lord, *Rome, September 15, 1892.*

I HAVE the honour to report that I have addressed a note to the Minister for Foreign Affairs in the sense of your Lordship's despatch No. 129 of the 3rd instant, communicating to him the opinion of Her Majesty's Government on the protest of the Chamber of Commerce of Rome against the action of the Council of the Ottoman Public Debt with respect to certain classes of Turkish bonds, reminding him of the assurances of support to the Council which the Marquis di Rudini gave to Lord Dufferin last November, and pointing out the inexpediency of countenancing any action calculated to discredit the Council, which has done so much to restore the credit of Turkey and to improve the position and prospects of the bondholders.

I have, &c.
(Signed) VIVIAN.

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* Colonial Office Memorandum as to the amount of the tribute, No. 26, p. 13 of Foreign Office Confidential Print 4801; "Finances of Turkey," Colonial Office, August 16, 1882, p. 38 of Foreign Office Confidential Print 4801; to the Earl of Dufferin, October 18, 1882, p. 47 of Foreign Office Confidential Print 4801; Colonial Office, April 30, 1883, p. 16 of Foreign Office Confidential Print 4949; Mr. Wyndham, May 28, 1883, p. 19 of Foreign Office Confidential Print 4949.

No. 23.

Foreign Office to Treasury.

Sir, *Foreign Office, September 23, 1892.*

WITH reference to your letter of the 21st March, 1889, and to previous correspondence, relative to the question of the amount of the Cyprus Tribute, I am directed by the Earl of Rosebery to inclose copy of a note on the subject from the Turkish Chargé d'Affaires, and of a letter from the Colonial Office, to which Department that note was referred.*

The Porte, whilst accepting the calculation of Her Majesty's Government as to the surplus revenue of Cyprus, asks—

1. That the arrears of tribute due for the last fourteen years be paid;
2. That the salt tribute due to Turkey be handed over;
3. That the receipts showing the payments made by Cyprus on account of pensions, repayment of forced loans, commissions, &c., be sent to the Ministry of Finance at Constantinople; and
4. That due notice be given of all lapses of pensions as they occur.

I am to request that the Lords Commissioners of Her Majesty's Treasury will cause Lord Rosebery to be informed of the reply which should be returned to Morel Bey as regards questions 1 and 3 in his note.

I am, &c.
(Signed) P. CURRIE.

No. 24.

Lord Vivian to the Earl of Rosebery.—(Received September 26.)

(No. 199.)
My Lord, *Rome, September 23, 1892.*

I HAVE the honour to inclose translation of the reply which I have received from the Minister for Foreign Affairs to the note in which I communicated to his Excellency the views of Her Majesty's Government, as explained in your Lordship's despatch No. 129 of the 3rd instant, on the conclusions arrived at by the Chamber of Commerce of Rome, acting as Syndicate to the Italian holders of Turkish bonds, with respect to the arrangements made by the Council of Administration of the Ottoman Public Debt with regard to the "Priority Bonds" and the "Lots Turcs."

While expressing his full concurrence in your Lordship's views, Signor Brin authorizes me to assure you that the Italian Government has taken no part in the disagreement between the Roman Syndicate and the Council of the Ottoman Debt, and that it will not fail to fulfil the engagement it has taken to discountenance by every means in its power any action calculated to discredit that valuable institution.

I have, &c.
(Signed) VIVIAN.

Inclosure in No. 24.

Signor Brin to Lord Vivian.

(Translation.)
M. l'Ambassadeur, *Ministry for Foreign Affairs, Rome, September 20, 1892.*

I HAVE the honour to acknowledge the receipt of your Excellency's note of the 15th instant.

It acquaints me with the views of your Government respecting the conclusions arrived at by the Chamber of Commerce of Rome in the Memorandum which it communicated to the Syndicates of the bearers of Ottoman bonds, and relative to the action of the Administrative Council of the Ottoman Public Debt in the question of the "Priority Bonds" and of the "Lots Turcs."

I am particularly grateful for this communication.

Her Majesty's Government has taken the opportunity to remind me of the assurances formerly given by this Ministry to your Excellency's predecessor, that it would support the Administrative Council of the Ottoman Debt, and expresses the

* Nos. 14 and 21.

desire that no step should be approved that might discredit the Council in the eyes of the public.

I fully concur in the views expressed by Lord Rosebery on this subject, and your Excellency may inform him that the Italian Government has had nothing to do with the disagreement which has arisen between the Italian Syndicate and the Debt Council, nor does it intend to fail in the engagement it has taken to do everything in its power not to diminish the prestige of that provident ("provvida") institution.

I avail, &c.

(Signed) B. BRIN.

No. 25.

Treasury to Foreign Office.—(Received November 7.)

Sir, *Treasury Chambers, November 5, 1892.*

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 23rd September, and its inclosures, relating to the points which have been raised by the Turkish Chargé d'Affaires in connection with the Cyprus tribute; and I am directed to request you to submit to the Secretary of State for Foreign Affairs the following observations of this Board in reply.

I am, in the first place, to express their satisfaction that the Porte accepts the calculation of Her Majesty's Government as to the surplus revenue of Cyprus; and, in the second place, I am to inform you that the Colonial Office are taking the necessary steps to have the Porte furnished by the Cyprus Government with the vouchers in support of the sundry small payments made out of the tribute money on account of pensions, as well as notice of any lapsed pensions.

It remains for my Lords to express their views respecting the surplus or unappropriated portion of the tribute money, to which the Turkish Chargé d'Affaires presumably alludes when he speaks of the arrears of tribute. On this point I am to refer to previous communications upon the subject, and to state that the present Board of Treasury holds the same views as those which, being supported by the highest legal opinion, preceding Boards have held. Their Lordships, accordingly, feel, to their regret, bound to detain the money in question, since the Porte continues to make no payment in respect of sinking fund on the Turkish Guaranteed Loan; and this small balance of tribute thus constitutes for that purpose the only available part of "the revenues of the Ottoman Empire" on which, equally with the interest, the sinking fund was charged by the Convention entered into by Great Britain, France, and Turkey on the 27th June, 1855.

I am, &c.

(Signed) FRANK MOWATT.

No. 26.

Sir Clare Ford to the Earl of Rosebery.—(Received November 14.)

(No. 334. Confidential.)

My Lord, *Constantinople, November 5, 1892.*

MUCH has been said here of late concerning a loan of £T. 2,500,000 which the Turkish Government propose to contract with the Imperial Ottoman Bank.

The inclosed Memorandum, which has been drawn up at my request by M. Caillard, President of the Turkish Public Debt Commission, will place your Lordship in a position to understand clearly the exact terms and conditions on which it is proposed to issue the loan.

The main features of importance in this transaction consists in the fact that, should the loan be made, the payment of the interest on it will not constitute any new charge on the revenues of this country.

The £T. 40,000 is a new source of revenue created this year, and is the annual sum paid by the "Tumbaki" Monopoly Company.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure in No. 26.

Memorandum on the proposed 4 Per Cent. Loan.

THE Government proposes to contract with the Ottoman Bank a loan for £T. 2,500,000 nominal—rate of interest 4 per cent., sinking fund 1 per cent.—the amount necessary for the service of the loan being therefore £T. 125,000 annually.

The loan is secured on an annuity of £T. 40,000 paid to the Government by the recently formed Tumbaki Monopoly Company, and the tithes, amounting to £T. 85,000, affected since 1885 to the service of the loan then contracted with a group of capitalists for the construction of the sections of railway connecting the Bulgarian and Turkish systems on the one hand, and the Servian and Turkish systems on the other. The loan therefore forms no new charge on the Turkish Budget.

The £T. 2,500,000 would be taken firm by the Ottoman Bank at a price of 73, the cash proceeds of the loan thus amounting to £T. 1,825,000, which would be disposed of in the following manner:—

	£T.
To repay the capitalists above mentioned, who made the advances for the construction of the junction railways	977,000
In repayment of advances made by the Ottoman Bank	150,000
In commission to the Ottoman Bank for expenses in connection with the loan	25,000
Total to be deducted from the £T. 1,825,000	1,152,000
Leaving a net amount of .. .. at the disposal of the Turkish Treasury.	673,000

It is possible that a slight modification may be made in the price at which the loan would be taken firm by the Ottoman Bank, to the effect that the debt due to the junction railways would be taken by the latter at a nominal price of 75, and that the Ottoman Bank would take the remainder of the loan firm at 71. The effect of this would be that the Turkish Government would have an advantage of £T. 2,000, the net amount which would then be left at its disposal being thus £T. 675,000.

It is reported that the Russian Embassy has received an assurance from the Turkish Government that, out of the proceeds of the loan, £T. 75,000 will be applied to the satisfaction of the claims brought by Russian subjects for damages inflicted during the Russo-Turkish war: the net amount which would then be left at the disposal of the Government would be £T. 600,000.

No. 27.

Sir Clare Ford to the Earl of Rosebery.—(Received November 14.)

(No. 335. Confidential.)

My Lord, *Constantinople, November 7, 1892.*

WITH reference to my immediately preceding despatch on the subject of the projected Turkish loan, I have the honour to inform your Lordship that the negotiations for raising it are decidedly hanging fire.

I have been confidentially informed that Portokal Effendi, Minister of the Civil List, is said to have reported against it to the Sultan, on the ground that the Government ought to obtain better terms.

I have also heard that the Russians have given the Porte to understand that if the loan is effected, they will insist upon being paid out of it the arrears of the war indemnity.

This would swallow up the whole of the amount left at the disposal of the Treasury.

The Sultan, therefore, either sees no profit in making the loan, or wishes to avoid incurring a disagreeable diplomatic incident. I have also heard that a report has been made to the Sultan pointing out that it is the Bulgarians who have hold of one of the junction lines (Bellova-Vakkarel), and that it is consequently they who, under the circumstances, should be placed under the obligation of paying off the loan by which the junction line was constructed. Turkey, by paying it off herself, would free Bulgaria of an obligation, and get nothing from the latter in return.

I have, &c.

(Signed) FRANCIS CLARE FORD.

No. 28.

Foreign Office to Treasury.

Sir, *Foreign Office, November* 17, 1892.

THE Earl of Rosebery has had under his consideration your letter of the 5th instant, in which you state that the present Board of Treasury holds the same views as those which, being supported by the highest legal opinion, preceding Boards have held with regard to the surplus portion of the Cyprus tribute, and that they feel bound to detain the money in question since the Porte continues to make no payment in respect of sinking fund on the Turkish Guaranteed Loan.

Lord Rosebery holds that it will not suffice for him to tell the Porte that Her Majesty's Government detain the money on account of the liability of Turkey, the question being how they are disposing of it, and on that point his Lordship would be glad to have authentic and satisfactory information for communication to the Turkish Government.

Lord Rosebery is aware that the sum required for interest on the Turkish Guaranteed Loan of 1855, so far as it is not provided by the unappropriated portion of the Egyptian tribute, is taken out of the surplus revenues of Cyprus, payable to the Sultan under the Conventions of the 4th June, 1878, and the 3rd February, 1879. His Lordship is not, however, informed as to the exact purpose to which the surplus, after meeting the charge for interest and management expenses, is actually applied. He would therefore be obliged if the Lords Commissioners of the Treasury would inform him whether that surplus is utilized to diminish the amount of the loan, or is carried to the account of the British Exchequer, for on the reply to this question the terms of the answer to be made to the Porte must depend.

I am, &c.
(Signed) P. CURRIE.

No. 29.

Sir Clare Ford to the Earl of Rosebery.—(Received November 23.)

(No. 344. Confidential.)
My Lord, *Constantinople, November* 14, 1892.

WITH reference to my despatch No. 334 of the 5th instant, on the subject of the proposed Turkish loan for a sum of £T. 2,500,000, I have the honour to inform your Lordship that the project has fallen through, whether temporarily or not I am unable to say.

Sir Edgar Vincent, President of the Imperial Ottoman Bank, left this for England on the 8th instant, and consequently all negotiations have been broken off.

The pretext for so doing which has been advanced on the part of the Sultan was that he did not wish to affect any more revenues to the Public Debt Administration. Sir Edgar Vincent made it a *sine qua non* that the Public Debt Administration should administer the revenues affected to the service of the new loan.

Thus the Palace clique, to which I alluded in my despatch No. 335 of the 7th instant, has triumphed. I have heard it stated that Sir Edgar Vincent was perhaps too keen on the subject, and therefore caused more weight to be attached by the Sultan to reports made by the opponents of the loan than otherwise would have been the case; as far as I know the Sultan harbours no ill-will towards the Bank, as is proved by the fact that His Imperial Majesty is ready to confirm the privileges of it in regard to its provincial agencies; on the other hand, the Bank was ready on account of the concession made of the loan to increase the extent of the Government account current, bearing no interest, by £T. 250,000.

In fact, many concessions during the negotiations were mutually made, and everything it appears had been so carefully considered that if one part of the contract was touched the whole of the fabric became unsound.

It should be noted that Sir Edgar Vincent returned to Constantinople from England on the 12th August at the request of the Sultan, for the express purpose of arranging the very conversion of the "raccordement" loan (*i.e.*, the loan which was raised a few years ago for the construction of the junction lines of railway between Bulgaria and the Turkish frontier and the Bulgarian and Servian frontier), which the Sultan now declines to have anything to do with.

In other words, the Sultan kept the Ottoman Bank negotiating for three months only to show it the door without very much ceremony at the end. Consequently, if Sir Edgar Vincent did err at all from any exhibition of loss of temper, great allowance should be made for him, as he had suffered no inconsiderable amount of provocation.

I shall not fail to communicate to your Lordship any further information I may obtain on the subject.

I have, &c.
(Signed) FRANCIS CLARE FORD.

No. 30.

Sir Clare Ford to the Earl of Rosebery.—(Received November 23.)

(No. 345. Confidential.)
My Lord, *Constantinople, November* 14, 1892.

WITH reference to my immediately preceding despatch on the subject of the new Turkish loan, which appears to have fallen through, I learn that the matter may be fraught, indirectly, with a distinct danger to British railway enterprise in Asia Minor, owing to the fact that the German element in this capital has already taken advantage of the rupture of negotiations to offer to the Sultan personally to find His Imperial Majesty a loan, secured on the "Tumbeki" and on the surplus of the revenues which are already administered on account of the Government by the Council of the Ottoman Public Debt, a condition of the loan being that a Concession for a railway to Konia, in Asia Minor, branching from the Ismid-Angora line at a place called Eskishehir, and proceeding by Afium-Karahissar, should be granted to them.

I have, &c.
(Signed) FRANCIS CLARE FORD.

No. 31.

Treasury to Foreign Office:—(Received November 25.)

Sir, *Treasury Chambers, November* 25, 1892.

I HAVE laid before the Lords Commissioners of Her Majesty's Treasury Sir T. Villiers Lister's letter of the 17th instant respecting the surplus of the Cyprus tribute, and I am to request you, in reply, to inform the Secretary of State as follows:—

Any sum available from the Cyprus tribute after meeting the charge for interest and management of the Turkish Guaranteed Loan is retained in hand, with a view to its application by way of sinking-fund on the loan. The accumulated amount is now represented by 89,626*l.* 14*s.* Consols, standing to a special account.

With reference to this accumulation, I am to explain that my Lords are advised by the Bank of England that it is not practicable to redeem any less amount of the loan than 97,400*l.*, that being the amount drawn for redemption in 1876, the first year after the Turkish default.

When the balance amounts to 97,400*l.* it will be applied in redemption of the Bonds drawn in 1876, and, in the meanwhile, as the Secretary of State will observe, the British Exchequer derives no benefit from the amount in hand.

I am, &c.
(Signed) R. E. WELBY.

No. 32.

Sir Clare Ford to the Earl of Rosebery.—(Received December 1.)

(No. 148. Commercial.)
My Lord, *Constantinople, November* 19, 1892.

I HAVE the honour to inclose you two copies of the recently published Report by Mr. Vincent Caillard on the second quinquennial period of the administration of the Ottoman Public Debt. The most salient points of this Report are as follows:—

Financial Situation.—The full ½ per cent. sinking fund has been paid on Series A, and £T. 18,019 assigned to the redemption of Series B; beyond this there remained

£ T. 9,493 to be carried to the interest fund. This is a welcome reminder to the bondholders that a future increase of interest is within sight. The sinking fund has reached £ T. 314,315, and the extraordinary sinking fund, £ T. 169,386. The total capital amortised during the year was £ T. 1,671,679.

Personnel.—The personnel was composed of 4,194 Mussulmans, 296 non-Mussulmans, Turkish subjects, 38 Europeans—a total of 4,528—the policy of the Council being to make the personnel as Turkish as possible. Mr. Caillard calls particular attention to the character and good qualities of Turkish officials when treated on equal conditions with the officials of other countries.

Expenses.—The percentage of administrative expenditure (including the working expenses of the salt monopoly) to the revenues directly administered was 21·8 per cent. in 1891-92, against 22·8 per cent. in 1890-91, and in all probability this percentage will constantly diminish as the revenues increase.

Revenues.—An increase is shown in 1891–92 of £ T. 77,716 on 1890–91, of which £ T. 58,000 is due to increase in revenues directly administered by the Council. The average net revenue during the second period was £ T. 1,932,682 against £ T. 1,744,521 in the year 1886–87, an advantage of £ T. 188,161. An increase is shown in the year 1891–92 of £ T. 322,512 as compared with 1886–87. A spirit of inquiry exists amongst the members of the Council, which Mr. Caillard hopes may lead to satisfactory reforms and improvements in the administration.

Tobacco.—During the first three years of the Régie there was a net average loss of £ T. 65,000, whereas the net profits in the year 1891–92 were £ T. 298,000, the Public Debt's share of which amounted to £ T. 71,743, against £ T. 34,000 in the preceding year. Considering that the highly-appreciated so-called "Egyptian" cigarettes are made with Turkish tobacco manipulated in Egypt, a large export trade could be done, which it is calculated could give a net profit of £ T. 150,000 per annum. It is estimated that if the enormous contraband trade could be effectually suppressed, the receipts of the Régie would be £ T. 3,500,000 in place of £ T. 1,000,000.

Salt.—The gross receipts obtained in 1891–92 amounted to £ T. 730,000 against £ T. 700,000 in 1890–91, an increase of £ T. 30,000, or 4·35 per cent., and 7 per cent. increase on 1886–87. Earnest efforts are being made to organize a "Corps de Surveillance" well armed and with powers to use the arms when necessary, in order to suppress the regular organization of smuggling in the Black Sea and elsewhere, and there seems good hope that these efforts may be crowned with success. The exportation of salt to foreign countries, especially India, promises great results. The prospects of this revenue are, on the whole, very good.

Spirits.—There was an increase in 1891–92 as compared with 1890–91 of £ T. 29,000, or 13·13 per cent., and, as compared with 1886–87, of 15·20 per cent. The free distribution of American stocks for grafting by the Administration, and the establishment of grafting schools, giving free instruction, &c., promise to eventually conquer the phylloxera scourge. The new French Treaties of Commerce, though temporarily disturbing the wine trade, may ultimately have the effect of creating a considerable export trade for Turkish wines. There is room for a considerable increase of the tax on spirits, and reforms should, in Mr. Caillard's opinion, be effected in the line of increasing the tax on alcohols, which would render this revenue a far more valuable one.

Silk.—This revenue shows a decrease in 1891–92 of £ T. 5,000, or 10·47 per cent., as compared with 1890–91, and an increase of 43·83 per cent. as compared with 1886–87. The granting of certificates and prizes to students having a thorough knowledge of silk-worm egg-producing on the Pasteur system, and of the modern methods of rearing the worms, is bearing excellent fruit. Recent French Protectionist legislation created some alarm, but Mr. Caillard considers that this alarm is quite unfounded, and that there is every reason to hope that this revenue will continue rapidly to expand.

Fisheries.—This revenue shows an increase in 1891–92 of 2·4 per cent. on the year 1890–91, and of 30·59 per cent. on the year 1886–87, but it does not seem probable that there will be any advance worth mentioning in it until the Administration succeeds in obtaining the adoption of rules based on the science of pisciculture.

Tobacco Tithe.—The receipts amounted in 1891–92 to £ T. 93,000, an increase as compared with 1890–91 of £ T. 2,600, or 2·89 per cent., and, as compared with 1886–87, of 8·28 per cent. But as this tithe was granted to represent the tribute of Bulgaria to the extent of £ T. 100,000, any expansion above that amount will be of no interest to the bondholders.

Other Revenues not yet in Existence.—It is calculated that the Public Debt's share of the increased revenues coming from the new Treaties of Commerce (the negotiations for which are in an advanced stage) would amount to £ T. 260,000. The patents tax and the proportional parts of the debt to be borne by the Balkan States and Greece, continue to yield no revenues, and Mr. Caillard points out that this is due to the obstructive attitude of Russia.

Currency.—A Commission is now sitting with the object of more rapidly converting the silver Medjidiehs into 5, 2, and 1 piastre pieces, and for expelling from circulation the foreign silver coins in the country, a reform which is much needed.

Exchanges.—During the last two years the exchange has ruled in favour of the Public Debt, but this was chiefly due to exceptional causes.

Railways.—The railway system is gradually increasing, owing to the confidence established in the Government guarantees administered by the Ottoman Public Debt Council. This is a point of vast importance to the progress and welfare of the Empire, and is a signal service rendered to the Turkish State by the Public Debt Council. There are now 1,425 miles constructed, and the construction of some of the new lines is being rapidly pushed forward.

Revenues administered for Account of the Government.—The revenues assigned to the Public Debt Administration as guarantees for loans causing, in general, no fresh charge on the Budget, and for enterprises of public utility—continue to increase—producing an excellent effect on Turkish credit, and proving the confidence felt in the administration of the Public Debt by both the Ottoman Government and by European capitalists.

Turkish Indebtedness.—With regard to the subject of Turkish indebtedness, a statement is given showing that the total indebtedness of the Empire amounts to 119,133,636*l.*, or 5·68*l.* per head of population, whilst the debts of Egypt and Greece are 15·63*l.* and 12·88*l.* per head respectively.

Mr. Caillard ends his Report by an appeal to English capitalists, urging them to forget old sores, and turn their attention to this naturally highly-favoured country, full of latent wealth and only waiting for those who will take courage to extract and enjoy it.

I venture to call your Lordship's particular attention to this Report, which is specially interesting as showing how great the natural resources of Turkey are, and as proving by results the possibility of gradually improving the administration of the country under existing conditions.

I have, &c.
(Signed) FRANCIS CLARE FORD.

No. 33.

Colonial Office to Foreign Office.—(*Received December 21.*)

Sir, *Downing Street December 20, 1892.*

WITH reference to the letter from this Department of the 11th October and to previous correspondence respecting certain questions relating to the Cyprus Tribute, I am directed by the Marquis of Ripon to transmit to you, for communication to the Earl of Rosebery, a copy of a despatch from the High Commissioner for Cyprus, inclosing papers which explain the deductions made from the amount of the Tribute on account of pensions and commissions during the financial year 1891-92.

These papers have also been communicated to the Treasury.

I am, &c.
(Signed) EDWARD FAIRFIELD.

Inclosure 1 in No. 33.

Sir W. Sendall to the Marquis of Ripon.

My Lord, *Government House, Cyprus, November 22, 1892.*

WITH reference to the second paragraph of your Lordship's despatch of the 10th October, I have the honour to state that I understand that the vouchers for payments to pensioners are sent to the Comptroller- and Auditor-General, with the Cyprus monthly accounts. The Acting Receiver-General has, however, obtained declarations from the pensioners as to the payments received by them during the financial year 1891-92, which are herewith inclosed, together with a Memorandum

explaining a deduction of 2*s.* for Bank commission, and copies of letters from the Receiver-General to the Imperial Ottoman Bank respecting the commission at ½ per cent. on transfers to London of certain sums for Tribute payments.

Your Lordship's instructions as to sending vouchers in support of deductions from future Tribute payments and as to notifying to Her Majesty's Representative at Constantinople all cases of the lapsing of pensions will be attended to.

I have, &c.

(Signed) WALTER J. SENDALL,
High Commissioner.

Inclosure 2 in No. 33.

Declarations.

I HEREBY declare that I have received from the Government of Cyprus the sum of 26*l.* 6*s.* and 6 piastres, being the pension payable to me by the Turkish Government for the twelve months ended 31st March, 1892.

(Signed) MEHMED SHAH.
(Seal.)

Witness to signature:
(Signed) H. SADYK.

November 10, 1892.

Certified correct:
(Signed) M. KING, *Commissioner, Nicosia.*

I hereby declare that I have received from the Government of Cyprus the sum of 2*l.* 12*s.* and 6 piastres, being the pension payable to me by the Turkish Government for the twelve months ended 31st March, 1892.

(Signed) ALI RIZA.
(Seal.)

Witness to signature:
(Signed) H. SADYK.

November 10, 1892.

Certified correct:
(Signed) M. KING, *Commissioner, Nicosia.*

I hereby declare that I have received from the Government of Cyprus the sum of 2*l.* 12*s.* and 6 piastres, being the pension payable to me by the Turkish Government for the twelve months ended 31st March, 1892.

(Signed) SULIMAN RIZA.
(Seal.)

Witness to signature:
(Signed) H. SADYK.

November 10, 1892.

Certified correct:
(Signed) M. KING, *Commissioner, Nicosia.*

I hereby declare that I have received from the Government of Cyprus the sum of 13*l.* 10*s.* and 6 piastres, being the pension payable to me by the Turkish Government for the twelve months ended the 31st March, 1892.

(Seal) LT. SALIH AGA

Witness to the seal of Lt. Salih Aga:
(Signed) O. D. LAGIETIS.

November 14, 1892.

Certified correct:
(Signed) E. G. CHETWYND,
Acting Commissioner, Limassol.

Inclosure 3 in No. 32.

Memorandum.

ON the 31st July, 1891, an additional transfer of 7,220*l.* to meet the Tribute payment was made from Cyprus to London by telegram.

Under the terms of the Bank agreement the commission at ½ per cent. amounted to 36*l.* 2*s.*, but only 36*l.* was deducted from the payment of that year, leaving a balance of 2*s.*, which amount appeared as a deduction from the amount of Tribute payable in July 1892.

(Signed) F. G. SMITH, *Acting Receiver-General.*

November 8, 1892.

Inclosure 4 in No. 32.

The Receiver-General to the Manager, Imperial Ottoman Bank, Nicosia.

Sir, *Receiver-General's Office, January* 4, 1892.

I HAVE the honour to request that you will be good enough to transfer the sum of 22,000*l.* from the general account of the Government here to the same account in London.

This sum will be required by your London agency on the 29th instant, and this letter is sufficient authority for your debiting the Government with 110*l.*, being commission on the transfer.

I am, &c.

(Signed) W. T. TAYLOR, *Receiver-General.*

True copy:
(Signed) F. G. SMITH, *Acting Receiver-General.*

November 8, 1892.

Inclosure 5 in No. 32.

The Receiver-General to the Manager, Imperial Ottoman Bank, Nicosia.

Sir, *Nicosia, July* 6, 1892.

I HAVE the honour to request that you will be good enough to transfer the sum of 34,000*l.* from the Government general account here to the credit of the Cyprus Government at your London Branch.

This sum is required to meet a payment which will be made by your London Branch on or about the 29th instant, and this letter is sufficient authority for your debiting the Government account with commission at ½ per cent.

I am, &c.

(Signed) W. T. TAYLOR, *Receiver-General.*

True copy:
(Signed) F. G. SMITH, *Acting Receiver-General.*

November 8, 1892.

[This Document is the Property of Her Britannic Majesty's Government.]

Printed for the use of the Foreign Office. July 1894.

CONFIDENTIAL.

(6495.)

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PART XIV.

FURTHER CORRESPONDENCE

RESPECTING THE

FINANCES OF TURKEY.

1893.

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CONFIDENTIAL.

Further Correspondence respecting the Finances of Turkey.

Part XIV.

No. 1.

The Earl of Rosebery to Sir Clare Ford.

(No. 16.)
(Telegraphic.) P. *Foreign Office, January* 26, 1893.

SURTAXE on imports in Crete.

Consul at Canea telegraphs that you direct him to apply to me for instructions.

Please give directions to Mr. Biliotti in accordance with terms of my note to Rustem Pasha of the 24th October last.

Should the Consuls be unable to agree among themselves or with the Vali, an arrangement should, if possible, be made by the Ambassadors with the Turkish Government.

No. 1*.

Colonial Office to Foreign Office.—(Received February 7.)

Sir, *Downing Street, February* 7, 1893.

I AM directed by the Marquis of Ripon to acknowledge the receipt of your letter of the 27th ultimo, and to request that you will inform the Earl of Rosebery that his Lordship concurs in the terms of the draft which it is proposed to address to the Turkish Ambassador on the subject of the surplus revenues of Cyprus.

I am at the same time to add that Lord Ripon cannot but regret the necessity for acquiescing in a measure which would practically render more difficult of realization the hope entertained in the island, that some arrangement may be devised with the object of reducing or commuting the heavy charge on the Cypriot revenues, caused by the present annual Tribute.

The draft despatch is herewith returned, and it is requested that a copy of it may ultimately be communicated to this Department for record.

I am, &c.
(Signed) EDWARD FAIRFIELD.

No. 2.

The Earl of Rosebery to Rustem Pasha.

M. l'Ambassadeur, *Foreign Office, February* 7, 1893.

THE questions raised in Morel Bey's note of the 9th August in connection with the Cyprus Tribute were referred to the Lords Commissioners of Her Majesty's Treasury and to the High Commissioners in Cyprus, and I am now in a position to furnish your Excellency with the information required by the Turkish Government.

I have the honour in the first place to express to your Excellency the gratification

with which Her Majesty's Government have learnt that their calculation, as to the amount of the Tribute money, has been accepted by the Sublime Porte. I have, however, been requested by the Lords Commissioners of Her Majesty's Treasury to remind your Excellency of the stipulations of the Articles II and III of the Convention between Great Britain, Turkey, and France of the 27th June, 1858, which provides for an annual payment of 1 per cent. on the capital of the Guaranteed Loan of 1855, and make this payment a charge on the whole revenues of the Ottoman Empire.

So long as the Turkish Government omit to make provision for meeting this engagement in respect of sinking fund on the Guaranteed Loan from other sources, Her Majesty's Government consider it to be their duty to retain the small balance of the Tribute money which is not required for the payment of interest on the loan, and to apply it to sinking fund purposes. The sum thus accumulated towards a sinking fund amounts to 87,274*l.*, and has been invested in Consols, amounting to 89,626*l.* 14*s.*, and standing to a special account. As soon as the amount invested is found to realize 97,400*l.*, it is proposed to employ the money in redemption of the bonds to that amount which were drawn for payment in the first year (viz., 1876), when no provision was made by the Sublime Porte for sinking fund.

In the matter of the salt Tribute due to Turkey, I have the honour to remind your Excellency that it has always been open to the Turkish Government to send ships to remove it from Larnaca, and that inquiries were made in 1882 and in 1883 as to whether steps could be taken for this purpose. The inquiries appear to have remained unanswered.

The season for working the salines begins in May, and Her Majesty's Government, on receiving timely notice of the Porte's intention to send for the salt, will direct the authorities in Cyprus to collect the proper quantity (of 5,208 tons a-year), in order that it may be at the disposal of the Representatives of the Turkish Government.

As to the details of the payments in connection with the pensions and commissions which are deducted from the amount representing the surplus revenues of Cyprus, I beg leave to forward herewith a copy of a despatch from the High Commissioner,* with original declarations from the pensioners, as to the payments received by them during the financial year 1891-92, and other papers explaining the deduction made on account of commissions. Your Excellency will perceive that the pensions in the last year amounted only to 45*l.* 2*s.* 8*d.*

Vouchers in support of these payments will, in future, be sent home regularly for communication to the Turkish Government.

As regards the last request in Morel Bey's note, I have the honour to inform your Excellency that due notice of the lapsing of pensions as they occur will be given to Her Majesty's Ambassador at Constantinople, for the information of the Turkish Ministry of Finance.

In conclusion, I take the opportunity of expressing the hope that the unavoidable delay in replying to your Excellency has not caused inconvenience to the Turkish Government.

I have, &c.
(Signed) ROSEBERY.

No. 3.

Rustem Pasha to the Earl of Rosebery.—(Received February 20.)

Ambassade Impériale de Turquie, Londres, le 18 Février, 1893.

M. le Comte,

J'AI l'honneur d'accuser réception de la note que votre Seigneurie a bien voulu m'adresser le 7 de ce mois, au sujet de l'excédent des revenus de l'Ile de Chypre. Je remercie votre Seigneurie pour les informations qu'elle a l'obligeance de me transmettre, ainsi que pour les pièces et documents qui se trouvaient joints à sa communication.

J'ai remarqué que la note de votre Seigneurie, tout en indiquant en termes généraux l'état de la question, ainsi que les sommes totales qui la résument, ne dit pas si le détail des comptes des quatorze dernières années sera communiqué à la Sublime Porte. Comme mon Gouvernement désirerait, pour l'information du Département des Finances, recevoir ces comptes, je serais reconnaissant à votre Seigneurie si elle voulait

* Sir W. Seodall, November 22, 1892.

bien demander à la Trésorerie d'en faire préparer une copie et de vouloir bien me l'envoyer pour être transmise à Constantinople.

D'autre part, il résulte de la note de votre Seigneurie que l'excédent des revenus de Chypre, déduction faite de la somme qui est consacrée au service des intérêts de l'Emprunt Garanti de 1855, présente un léger surplus annuel, et que ce surplus est conservé par la Trésorerie pour être appliqué au rachat des titres tirés pour l'amortissement. Sans vouloir entrer ici dans la discussion de ce qui a trait à l'amortissement de l'emprunt, je me permettrai de faire remarquer à votre Seigneurie que le montant dont il s'agit est tellement exigu qu'il ne peut guère exercer sur l'amortissement de l'emprunt d'effet bien appréciable, puisque, durant une époque de treize à quatorze ans, il n'a pas encore produit une somme suffisante pour libérer un seul tirage. Il y a quelques années, mon Gouvernement m'avait chargé de faire une démarche auprès du Gouvernement de Sa Majesté Britannique, en vue d'obtenir que le surplus dont il s'agit fut mis à sa disposition. Je prends la liberté de réitérer auprès de votre Seigneurie la même demande, et de la prier de vouloir bien user de son influence auprès des Lords Commissaires à la Trésorerie pour que la somme représentée par l'accumulation des surplus annuels soit versée au Trésor Ottoman, en réservant pour une époque plus favorable l'examen de la question de l'amortissement.

J'ai à peine besoin d'ajouter que l'emprunt étant au-dessus du pair, l'ajournement de l'amortissement ne préjudicie en rien les intérêts des personnes qui se trouvent avoir en mains les titres tirés pour le rachat et sur lesquels elles continuent à toucher régulièrement l'intérêt.

J'ai, &c.
(Signé) RUSTEM.

No. 4.

The Earl of Rosebery to Sir E. Malet.

(No. 70. Confidential.)

Sir, *Foreign Office, March* 1, 1893.

WITH reference to my despatch No. 64 of the 22nd ultimo, I have to inform your Excellency that Count Metternich, whom I saw to-day, again alluded to the Kaulla Railway Concession, which was encountering difficulties owing to the opposition of the Council of the Ottoman Debt. He admitted that I had done all that could be done at Constantinople, but inquired whether something could not be effected through the Council of Foreign Bondholders in London.

I told Count Metternich that it was impossible for me to take any such action, and I hinted that the German Government seemed to be pursuing an unusual course when, having obtained advantages to the exclusion of all British interests, they now wished Her Majesty's Government to clear the way in every possible manner for the progress of the Concession. For my part I had written to Sir Clare Ford, and could not undertake to move further in the matter.

I am, &c.
(Signed) ROSEBERY.

No. 5.

Sir Clare Ford to the Earl of Rosebery.—(Received March 3.)

(No. 65.)

My Lord, *Constantinople, February* 27, 1893.

WITH reference to your Lordship's telegram No. 27 of the 22nd instant, I have the honour to inclose copy of a Memorandum which I have received from Mr. Caillard, explaining the course of action which he thought it desirable in the interests of the bondholders and of the Turkish Treasury to follow with regard to the recent railway Concessions granted in this country. Mr. Caillard's statement is very clear; and your Lordship will observe that he anticipates that it is possible that at the next meeting of the Council of the Dette Publique a definite arrangement may be arrived at.

I have, &c.
(Signed) FRANCIS CLARE FORD.

Inclosure in No. 5.

Memorandum by Mr. Caillard on the recently granted Railway Concessions in Asia Minor.

IT has been stated in regard to the railway Concessions recently granted to M. Kaulla, a German, one of the conditions of which is that the Public Debt Council should administer the tithes assigned to the guarantees of the railways, that certain members of that Council, especially the English member, have refused their consent to these conditions for, what have been called, "political objects." This latter expression is intended to convey that because, for instance, an Englishman had asked for the extension of the existing Smyrna to Aïdin Railway, which is a purely English concern, therefore Mr. Caillard, the English Delegate to the Public Debt Council, is preventing the execution of railway Concessions granted to persons of other nationalities until satisfaction is granted to the Englishman.

This is absolutely contrary to the facts, which are as follows: The members of the Public Debt Council who are hesitating to give their consent to a condition implying their name are doing so from conscientious doubts as to whether the Turkish Treasury can afford to support the weight of the railway guarantees which have been accorded, because it is evident that it would be directly contrary to the mandate held by the Public Debt Council to assist the Turkish Government in any way to weaken its financial position.

Since October 1888 up to the close of the past year, the following Concessions have been granted for guaranteed railways:—

Name.	Length in Kilometres.	Guarantee per Kilometre.
		Francs.
Haidar-Pasha-Angora	567	14,300
Salonica-Monastir	223	14,300
Salonica-Dedeagatch	500	15,500
Samsoun-Sivas	1,200	13,760

A further Concession had been granted from Panderma to Koniah; it has, however, been recently modified, and will be alluded to again further down, under the name of the Allacheir-Afioun-Kara-Hissar Railway.

Of these lines, that of Samsoun-Sivas may fairly be left out of account, as the concessionnaire cannot find financial backing for his line. Of the other three lines, that from Haidar-Pasha to Angora is completed and worked from end to end. The whole of the Salonica-Monastir line is completed, 100 kilom. are being worked, and within a few weeks this line also will be worked from end to end. The Salonica-Dedeagatch Railway is not yet commenced, but it is certain to be built and completed within the four years.

The completed lines are giving an average of rather under 8,000 fr. per kilom. gross receipts. It would not be safe to estimate that in four years' time they would be giving more than 10,000 fr. gross receipts. At that moment the Salonica-Dedeagatch Railway will have just been completed, and will certainly not be producing more than 7,000 fr. per kilom. gross receipts. Therefore, with the three railway Concessions which had been granted up to the end of last year, the Government will in four years' time be paying £T. 340,252 per annum.

Since the beginning of the year, the following further guaranteed railway Concessions have been granted:—

Name.	Length in Kilometres.	Guarantee per Kilometre.
		Francs.
Eski-Shehr to Koniah (a branch of the Haidar-Pasha-Angora line)	443	13,750
Angora to Cesarea	410	17,650
Allacheir to Kara-Hissar	247	18,900

The first and last of these have to be completed within four years. The second has to be completed within eight years: it being left, however, to the option of the concessionnaire when he will complete the line, the Government is bound to consider that it might be completed within the shortest time, say, four years, like the others.

It should be observed that the Allacheir-Afioun-Kara-Hissar line and the Eski-Shehr-Koniah lines effect a junction at Afioun-Kara-Hissar, and that a large part of the traffic which would have gone over the latter line will thus be diverted and go to Smyrna. It cannot, therefore, be expected that these three lines will produce, when completed, more, for the first few years, than 8,000 fr. per kilom.

The Turkish Government is thus under an engagement which will probably lead to its having to pay, in four years' time, a further £T. 404,626 per annum for railway guarantees, making a total at that time of £T. 744,878 per annum.

On the other hand, it should be noted that the Eski-Shehr-Koniah traffic, under the most favourable circumstances, might then be expected to increase the average gross receipts of the Haidar-Pasha-Angora line by about 4,000 fr.; a sum of £T. 103,312 should therefore be deducted, leaving a net probable amount, under the most favourable circumstances, of £T. 641,566 per annum to be paid.

In addition to this, the Government has guaranteed the interest on 39,500,000 fr. at 5 per cent., which is the sum raised to repurchase the existing Smyrna to Cassaba line. It may fairly be hoped that the line will produce sufficient net receipts to free the Government from the obligation of ever having to pay anything on this account; nevertheless, it is an engagement which any State financier could not possibly leave out of consideration.

It will thus be observed that the Government has pledged its credit to a very considerable extent in the way of railway guarantees; and pretending that the first two occasions on which guaranteed railway Concessions were accorded, and the consent of the Public Debt Council obtained to administer the guarantees, serve as incontrovertible precedents for all possible guaranteed railway Concessions that may come after, it has now pledged the Council of the Public Debt to administer the guarantees without having in any way consulted that Council.

Those members of the Council who take their mandate seriously to heart consider themselves bound to take time to consider the matter before giving in their consent, although the Government has already presumed to pledge them, for three principal reasons:—

1. In order to consider whether the Government has not already proceeded too far in the way of railway guarantees, and whether, therefore, the Public Debt Council should not refuse to accept the position of being the accomplice of the Government; and in connection with this matter, it should be particularly observed that it is confidentially known that the Imperial Budget shows a very serious deficit, which cannot be reduced below £T. 600,000.

2. They consider that they cannot, on their own responsibility, undertake of assume any duties outside the particular mandate for which they are here, which mandate comprises only the administration of the revenues conceded for the service of the Ottoman Public Debt. All matters which exceed that mandate they have always referred to their mandateries, and have obtained their previous consent.

3. They wish practically and effectually to protest strongly against the action of the Government in having pledged the Public Debt Council without its previous consent.

The principle here involved is considered to be highly dangerous, because it implies, if allowed to pass, that the Government could commit the wildest financial folly, and render, without their consent, accomplices of that folly, the very men who have been sent here to protect the interests of those who suffered under the previous bankruptcy.

In the Public Debt Council at present there are only two dissentient voices to this way of thinking—(1) that of the Turkish Delegate, who naturally acts under the orders of the Sultan; and (2) the German Delegate, who has taken up an almost inconceivably wrong-headed attitude about the matter, protests strongly against the Public Debt Council taking into consideration any financial risks at all, and cares evidently not one pin what may happen so long as M. Kaulla, the German, gets his Concession safely into his hands.

It is possible that, after due consideration, the Council will decide to give its consent to administering the guarantees accorded, as it might be that after careful examination it will be considered that the increase of revenues obtained by the Government from the districts through which the railways will pass would probably be sufficient, in a relatively short time, to substantially lighten the weight of the guarantees.

It is hoped that sufficient data will have been obtained to enable a definite decision to be arrived at on Thursday, the 9th March.

(Signed) VINCENT CAILLARD

No. 6.

Sir Clare Ford to the Earl of Rosebery.—(Received March 17.)

(No. 69. Confidential.)

My Lord, *Constantinople, March 2, 1893.*

WITH reference to my despatch No. 65 of the 27th ultimo, I have the honour to transmit copy of a further Memorandum which Mr. Caillard has communicated to me with regard to the administration of railway guarantees by the "Dette Publique." Mr. Caillard is of opinion that it is possible that the Ottoman Government might be inclined in certain circumstances to go outside the Council, and either accord the railway Concessions or raise fresh loans without the intervention of the "Dette Publique." From the consequences which would result from such action of the Ottoman Government Mr. Caillard fears that a serious political question might ensue.

I also beg leave to inclose, in connection with this subject, a Memorandum which Sir A. Nicolson has drawn up on some conversations which he had with Prince Radolin, M. Lindau, and Mr. Caillard. I sent these papers for your Lordship's confidential information. The questions raised in them appear to deal with what are, for the moment, only possible eventualities, and which do not as yet require immediate consideration. Moreover, I think it is hardly possible that the French Ambassador seriously meant to go the length of recommending naval demonstration in certain contingencies, which, even if they occurred, would scarcely necessitate such forcible measures.

I have, &c.
(Signed) FRANCIS CLARE FORD.

Inclosure 1 in No. 6.

Memorandum by Mr. Caillard on the recent Railway Concessions in Asia Minor.

THE question which has arisen in regard to the administration of the railway guarantees in Turkey by the Council of the Ottoman Public Debt, might possibly be attended by more serious consequences than has been anticipated.

Officially the delay occasioned by the Council of the Public Debt has been put upon the ground that the different members are unable to take upon themselves any responsibility outside the special mandate conferred upon them by the Imperial Decree of Mouharrem, without having previously consulted and obtained the consent of their mandatories. This, however, is only one-half of the truth; the other half—which is the more serious, and from which the real danger might arise—lies in the fact that the most influential members of the Council hesitate as to whether the Turkish Treasury can support the weight of the guarantees which it has accorded. This is perfectly well known both at the Palace and at the Porte, and the Turks vigorously contest the right of the Public Debt Council to consider, either officially or unofficially, what may be the consequence of acts of the Government which do not directly concern the administration of the ceded revenues properly so-called.

It is perfectly clear that the Turks are wrong, as any serious danger to the Turkish Treasury must inevitably weaken the whole financial machine, and affect the security of the bondholders. It is therefore the clear duty of members of the Public Debt Council to warn their mandatories, should they perceive any such danger, and more especially is this the case when they are asked to become accomplices in the act which might cause the aforesaid danger.

Now, the possibility must be admitted of the Public Debt Council being conscientiously forced to refuse the administration of the railway guarantees—whether on this, or on some future occasion—or perhaps of revenues affected to the raising of fresh loans. It is then possible that the Government might attempt to go outside the Council, and either accord the railway Concessions, or raise fresh loans, without the intervention of the Council, In that case the members of the Council would certainly be obliged to refer the matter officially to their mandatories, on the ground of serious danger arising for Turkish finances, and, in consequence, the weakening of the present security of the bondholders, from the incompetency of the Turkish Government to properly administer the finances of the Empire. Such a communication, coming from the Public Debt Council, could not but cause great agitation amongst the bondholders, and it would be almost impossible then to prevent the question of the international control foreshadowed in the Congress of Berlin, from being forced upon the attention of the Governments of the Great Powers. As Turkey would certainly resist any proposal in regard to such control to the utmost of her power, a very serious political question would arise.

Inclosure 2 in No. 6.

Memorandum by Sir A. Nicolson.

(Confidential.)

IN amplification of the Memorandum communicated to your Excellency by Mr. Caillard, I would beg to state that he informed me that, in the event of the Ottoman Government taking any measures towards instituting a special Department for the collection and administration of revenues for railway guarantee purposes, the French Ambassador would strongly oppose any such proceedings as being detrimental to the interests of the bondholders. His Excellency, according to Mr. Caillard, would in that case be ready to recommend to his Government the strongest measures, even to the length of naval demonstrations, in which M. Cambon appeared to think Great Britain might be induced to participate. I asked Mr. Caillard whether the "Dette Publique" was entitled, under their constitution, to protest against the Ottoman Government appointing a Board for the purposes of securing railway guarantees. He replied in the affirmative.

On the other hand, M. Lindau, the German Delegate on the "Dette Publique," was very positive in maintaining, in a private conversation I had with him, that the "Dette Publique" were overstepping their functions in interfering with general Turkish financial administration and in endeavouring to constitute themselves a Board of Control. He was strongly of opinion that the "Dette Publique" should confine themselves to administering the ceded revenues, and should not attempt to regulate matters outside that province.

Prince Radolin, with whom I also spoke, stated that M. Kaulla would, and could, do without the co-operation of the "Dette Publique," should that Body show a disinclination to assist him. He considered that the Ottoman Government had a perfect right to institute a special Board for railway guarantees. He had heard of an "entente" between one or two members of the "Dette Publique" and the French Embassy, and could only regret that these members were being led away by the persuasions of the French Embassy, whose main object was to sow distrust and dissension between German and English interests in the East.

No. 7.

Sir Clare Ford to the Earl of Rosebery.—(Received March 17.)

(No. 81. Confidential.)

My Lord, *Constantinople, March 13, 1893.*

ON the 8th instant my German colleague informed me that he had received a telegram from Berlin stating that, if the Public Debt Council continued to oppose the completion of the arrangement regarding the Anatolian Railway Concessions, the German Government would seriously consider whether they would not endeavour to bring about a radical reform of the constitution of the Council. Important German interests were involved in a matter now before the Council, and the German Government could not view with indifference any action which was detrimental to those interests.

Prince Radolin said that he was quite aware that the Embassy had no connection with the procedure of the British Delegate on the Public Debt Council, but he thought it right to inform me of what was in the mind of his Government.

In reply to a question as to the manner in which the German Government proposed on its own initiative to modify the constitution of an international institution, Prince Radolin said that he did not know the exact *modus operandi*, but he imagined that when a Government seriously intended to attain an object they usually succeeded in finding a way to do so. He requested that I would communicate to Sir E. Vincent and Mr. Caillard the information which he had conveyed to me, as he was desirous that a critical situation should be avoided.

I learn that Prince Radolin made a somewhat similar communication to my Italian colleague, who pointed out to him that the Italian Embassy had no authority over the Italian Delegate, who was a business man, and acted according to his own lights.

This is not the first occasion on which the German Embassy has shown a desire to alter the constitution of the Public Debt Council, and I would beg leave to refer

your Lordship to the late Sir W. White's despatch No. 476, Confidential, of the 19th November, 1891.

The next morning Mr. Caillard came to me and informed me that he had learnt that the Ottoman Government had prepared two Decrees for a complete reorganization of the Public Debt Council, which were to be issued in the event of the Delegates declining to accept the administration of the German Railway guarantees. Mr. Caillard has recorded in a Memorandum, of which I have the honour to inclose a copy, the information he received on that subject, and has added some observations regarding the general action of the German Embassy and the German Delegate in the recent discussions concerning the railway guarantees.

On the 9th instant the majority of the Council agreed in principle to accepting the responsibility of administering the guarantees, the Italian Delegate alone declaring that he could not vote as he was without instructions. A meeting will be held to-day, when it is expected that the matter will be definitely settled. Your Lordship will observe from Mr. Caillard's Memorandum that that gentleman is not very sanguine as to the future, as the Grand Vizier appears to have receded from his previous engagements, which were reported in my telegram No. 46 of the 10th instant, and now asserts that in the future the Ottoman Government are at liberty to thrust on the Public Debt Council the administration of any railway guarantees which they may choose, without necessarily consulting the Public Debt Administration beforehand.

I have, &c.

(Signed) FRANCIS CLARE FORD.

P S.—Since writing the above I have just received a further communication from Mr. Caillard respecting an article which has recently appeared in the "Cologne Gazette." I have the honour to inclose copy of this communication.

F. C. F.

Inclosure 1 in No. 7.

Memorandum by Mr. Caillard on the subject of the Administration of the Guarantees of the New Railways in Asia Minor.

(Private and Confidential.)

THE question in regard to the railway guarantees to be administered by the Public Debt Council may be considered as practically settled. It appears certain that it will be voted on Monday next, with only one dissentient voice,—that of the Italian Delegate, who has received no instructions from his mandatories, who are taking up on this question precisely the same attitude as they took up in regard to the Lottery Bonds arrangement, namely, one of passive obstruction.

It cannot be denied that during the past three weeks the question of the railway guarantees has occasioned a critical situation. In a previous Memorandum, dated the 27th February, I referred to the "almost inconceivably wrong-headed attitude about the matter" taken up by the German Delegate. In a subsequent Memorandum, dated the 1st March, I pointed out that a possible crisis might occur should the Public Debt Council be conscientiously forced to refuse the administration of the guarantees on financial grounds, and should the Turks attempt to go outside the Council and proceed upon their course without its intervention. When I wrote these Memoranda I was not aware how wrong-headed the German action had really been, or how near we really were to a dangerous crisis.

On Tuesday evening last I received a communication from what is generally an unusually well-informed source (not Turkish) to the effect that the Sultan was seriously contemplating, in case the Public Debt refused to administer the railway guarantees, on whatever grounds this refusal might be placed, to suppress the Council in its present form, and substitute for it a kind of mixed Council, in which there should be two or three Europeans, chosen by the Sultan himself, and four or five Turkish functionaries, the Turks thus always to have a majority. It was added that this was only known to a very few of the most confidential advisers of the Sultan, probably not even to the Minister of Finance, and amongst the other Ministers, only to the Grand Vizier.

I confess that I attached very little credence to this report, in spite of the source from which it came, as such a foolish course of action appears wildly improbable even for the Turks, for it meant that because they could not for the moment employ the only instrument by which they could procure sufficient credit to render the construction

of railways in Turkey possible, they would destroy that instrument altogether, and with it not only the credit necessary for the construction of railways, but the whole of their financial credit of every kind. To my great surprise, however, I yesterday received absolute confirmation of this information from another source, which I cannot but consider undeniable, with the addition that, not only has the German Embassy been cognizant of this intention of the Sultan, but has even (unofficially, of course) been considering with him, in case of refusal to administer the railway guarantees, the advisability of the suppression of the Public Debt Council.

I cannot bring myself to believe that the German Government can really have contemplated this suppression. I am under the impression that they rather mooted the idea in the hope that it might reach our ears, and be considered a sufficiently formidable threat for us to immediately give way on the guarantee question. For whilst I conceive it as within the bounds of possibility that the Turks should be sufficiently blind to their own interests to destroy all their credit, it appears to me inconceivable that because the German Emperor could not get his way upon the question of a few hundred additional kilometres of railway here the German Government should deliberately ruin the large German railway interests which now exist in this country. It is needless to point out that the action proposed would have rendered utterly impossible the issue of any further Turkish railway obligations, of which the Deutsche Bank has still a very large quantity on its hands; in fact, I think it may be stated without exaggeration that that institution would have become very nearly bankrupt. Moreover, instead of facilitating matters in regard to the present railway Concessions, they would all have been blown up into the air for good and all. It is perhaps conceivable that the German Government believed that there would only be a passing effect upon railway interests, and that these would rapidly recover. If they held this belief sincerely, I do not for a moment question that they would see the Public Debt Administration destroyed with relative unconcern, since German financial interests, other than those in railways, scarcely exist in this country, the great mass of Turkish bondholders being English and French. I, however, am unable to bring myself to believe that they could have judged the situation so incorrectly, and conclude, as I before said, that they wished only to exercise pressure by means of threats.

However this may be, it is my duty to point out that the real result of this attitude on the part of the Germans is lamentable. The Turkish Government, and the Sultan especially, have always looked upon our Administration as an irksome fetter to their liberty. I think I may say that hitherto, by constant care and tact, that fetter has been made as light and imperceptible as possible, but the consciousness of its presence has remained. Our great strength was the fact that the Turks believed the whole of Europe to be acting together in regard to the Public Debt Administration, and this impression has been not only maintained, but increased, since I have been here, in spite of various dissensions in the Council itself. The Sultan has, without the slightest doubt, been hitherto convinced that if he touched the Public Debt Administration the Great Powers of Europe (perhaps with the exclusion of Russia) would instantly insist upon the international financial control foreshadowed at the Congress of Berlin. This conviction, now that the Sultan has perceived that one of the Great Powers of Europe, at least, can not only contemplate with equanimity, but even consult with him as to the advisability of, the suppression of the Public Debt Council, has been most seriously weakened, if not altogether wiped out.

Not later than this morning I was able to perceive a slight change of attitude in the Grand Vizier, although he was perfectly cordial and friendly. For instance, he asked, as a matter which we should take into serious consideration, whether it would not be possible for the Public Debt to retrocede to the Turkish Government part of the revenues ceded to the Turkish Government for the benefit of the bondholders, and which he suddenly pretends we are collecting by error, as they were not included in the arrangement sanctioned by the Moubarrem Decree. Again, he persisted in saying that for the future the Government was perfectly at liberty to thrust upon the Public Debt Administration the administration of any railway guarantees it chose, without there being the slightest necessity of our being consulted beforehand. He listened attentively to what I had to say on both subjects, but I could perceive that he had no intention of withdrawing from his position.

It appears to me, therefore, that the crisis may really not be more than adjourned. The real remedy is time; if sufficient time is left us before a similar question is mooted again we shall, no doubt, by a renewal of our careful tactics of the past, be able to a very great extent to patch up the breach which has been effected, and my hope is that the Sultan may have been really alarmed by the serious representations

which have been made him in regard to the danger of charging his Budget with further railway guarantees or any fresh loans for the present, and that therefore this time may be left us.

In conclusion, I must point out that the whole of this action of the Germans has been entirely gratuitous, and that there has not been at any moment the least reason for their striking out and doing the damage which they have done. I, myself, personally, several times informed my German colleague that if he did not attempt to precipitate matters, but would leave the Council reasonable time for consulting the financial authorities in Europe before coming to a decision, he would find that matters would take exactly the course which he wished; I spoke to the railway concessionnaire, M. Kaulla, himself, in precisely the same sense. I know also that my French colleague and Sir Edgar Vincent spoke in the same sense to the German Delegate to the Public Debt Council; and, moreover, both Sir Edgar Vincent and myself have held exactly similar language to the German Ambassador.

None of our representations have taken the slightest effect. The Germans insisted upon attempting immediately to drive matters through with a high hand, and finding that they could not do so, they seem to have hit out in a blind passion, not caring a straw what might be the effect of their blows.

There can, I should think, be few instances extant of such grave danger being caused so utterly gratuitously.

At any rate, it is discouraging to see the careful work of nine years undermined for absolutely no reason.

(Signed) VINCENT CAILLARD.

March 11, 1893.

Inclosure 2 in No. 7.

Mr. Caillard to Sir Clare Ford.

Constantinople, March 13, 1893.

Sir,

I THINK it will interest your Excellency to have a copy of the summary of an article in the "Cologne Gazette," which has been sent to me.

I should explain that the paragraph which appeared in the "Standard" of the 6th instant in the summary of news, and upon which the article in the "Cologne Gazette" is based, corresponds to a telegram which was sent to me in clear by a certain Mr. Swaffield, who is a perfectly irresponsible person, and has no right to assume any official relations with me whatever. He is not even a member of the Council of Foreign Bondholders, but he is a large holder of Turkish bonds (Series A), and one of the principal shareholders of the Smyrna-Aidin Railway.

In regard to the attitude which is attributed to me in this question, your Excellency is aware that the "Cologne Gazette" is entirely at fault. I think I cannot do better than inclose you herewith a copy of the letter which I addressed to Mr. Swaffield in answer to his telegram, of which you will find a copy in the body of the letter.

I inclose you also a copy of the 37th Article of the Concession granted to M. Kaulla, in which the Damascus-Biredjik line, which is being asked for by a French subject, vigorously supported by the French Ambassador, is mentioned as having been already granted. I would draw your attention to the fact, therefore, that in voting our consent to the administration of the guarantees for the lines granted to M. Kaulla, we are likewise voting for the administration of the guarantees of the Syrian line. I have no authority from the Council of Foreign Bondholders to go so far, but seeing the circumstances of the case, I am taking upon myself this not inconsiderable responsibility.

There is no doubt that the Council will decide the question to-day, although the German concessionnaire does not accept the conditions, perfectly right and reasonable, accepted by all the other concessionnaires, granting certain slight advantages to our Administration in the matter of the transport of salt, the creation of salt depôts along the line, &c. My colleagues were much inclined to make a *sine qua non* of these conditions, but on my strong representations as to the unadvisability of creating any further tension, I have persuaded them to vote the whole thing definitively to-day (the Italian member always, of course, abstaining), with the request that the Government will do its best to induce the German concessionnaire to follow the good example of all the others.

I have, &c.
(Signed) VINCENT CAILLARD.

Inclosure 3 in No. 7.

Summary of Article in the "Cologne Gazette."

LA DETTE PUBLIQUE ET LE CHEMIN DE FER D'ANATOLIE.—La "Gazette de Cologne" du 7 Mars (No. 190), publie sous le titre "L'Angleterre et le Chemin de Fer d'Anatolie," un long article, où il est dit que les "bondholders" Anglais ont donné pour instruction à M. Caillard de s'opposer à ce que la Dette Publique se charge de percevoir les revenus affectés en garantie aux chemins de fer Kaulla. Après avoir expliqué longuement combien une pareille décision est contraire aux intérêts des concessionnaires Allemands, et à ceux de la Turquie, la feuille Rhénane continue ainsi:—

"L'opposition des 'bondholders' Anglais en cette affaire serait absolument incompréhensible si l'on ne connaissait pas le rôle étrange que M. Caillard et la Banque Ottomane qui est derrière lui ont joué dernièrement en employant les moyens les plus douteux pour empêcher le Sultan d'accorder à des Allemands la prolongation des lignes d'Anatolie. Ces intrigues ont été complètement déjouées, grâce, d'une part à la connaissance exacte que le Sultan avait de la situation, et de l'autre, à la vigilance du Prince Radolin. Mais M. Caillard ne sait pas se résigner à cet échec mérité; il veut maintenant se venger à sa manière et nuire en temps aux intérêts de la Turquie. Il a réussi contre toute attente à duper les 'bondholders' Anglais et à les faire servir ses desseins.

"La conduite de M. Caillard et des Anglais qui sont derrière lui a un sens clair, et non équivoque, qui sera aussi compris à la Sublime Porte. Elle impose à l'Allemagne une conduite toute aussi peu équivoque. Si les Anglais sont décidés à faire une guerre continuelle à l'Allemagne sur le terrain économique, l'Allemagne, surtout en ce moment, ne manquera pas d'occasion pour rendre la pareille à l'Angleterre. Nous ne doutons pas un instant que l'Allemagne n'hésitera pas à relever le gant qui lui a été jeté; mai, M. Caillard peut se rassurer; la construction du Chemin de Fer d'Anatolie sera continuée et menée à bonne fin malgré toutes ces intrigues."

Inclosure 4 in No. 7.

Mr. Caillard to Mr. Swaffield.

March 3, 1893.

Dear Sir,

I HAVE the honour to acknowledge the receipt of a telegram which reached my hands late on Wednesday evening to the following effect:—

"Bondholders object Public Debt Council administering obligations assigned for new railway Concessions injurious to British interests; your own position hitherto 'sans reproche,' would become compromised by suggested arrangement."

I am much obliged to you for so kindly tendering me your advice, and for your free expression of your fear that by pursuing a certain course of conduct the representative of the English bondholders might find his name, hitherto irreproachable, become compromised. I cannot but be touched by the implied compliment, and the regard for me which leads you to express this care for my personal position here.

I would beg you, however, to be kind enough to remember this: that whilst appreciating and fully sympathizing with the irritation of the Smyrna-Aidin Company at the course which events in regard to the railway Concessions in this country have recently taken, I am bound by my position here to look at things from a perfectly general point of view, not confining myself to considering them from a national standpoint only, however dear the latter may be to me personally. It seems to me that it is impossible for this Council to consider the nationality of constructors of railways in Turkey. If the Government can afford to pay guarantees which it has promised, or is inclined to promise, and if the railways to which those guarantees are effected are such as will develop the resources and promote the prosperity of the Empire, I do not see on what grounds our Council could possibly refuse to afford its help to the Turkish Government if asked for. For you will at once perceive that it is to the highest advantage of the bondholders that the material prosperity of Turkey should be advanced as rapidly and as securely as possible, and that no means are so conducive to this end as

the establishment of railway communications, almost completely lacking, in Asia Minor, and whether these railways be constructed by Englishmen, Frenchmen, or Germans, the effect produced will be very approximately the same.

Again thanking you for your kind telegram, I am, &c.

(Signed) VINCENT CAILLARD.

P.S.—I state the above as a general principle which must guide the Council.

No decision has yet been taken as to the present railway Concessions; this matter is now under the most careful consideration.

V. C.

Inclosure 5 in No. 7.

Article 37 of the Concession granted to M. Kaulla.

LA jonction de la ligne de Damas-Halop-Biredjik, dont la Concession a été accordée à une autre Compagnie avec la ligne de Bagdad, s'opérera à un point situé entre Biredjik et Telek, point qui sera déterminé d'un commun accord entre le Gouvernement Impérial et le concessionnaire.

No. 8.

Treasury to Foreign Office.—(Received April 6.)

Treasury Chambers, April 5, 1893.

Sir,

THE Lords Commissioners of Her Majesty's Treasury have given their best consideration to the note from the Turkish Ambassador, inclosed in your letter of the 25th February, on the subject of the Cyprus tribute appropriated to the service of the Ottoman Loan of 1855.

In reply I am to state, for the information of the Secretary of State for Foreign Affairs, that their Lordships are happy to supply Rustem Pasha with the account brought up to date for which he asks.*

With reference to the other questions referred to by his Excellency, I am to state that my Lords do not feel justified in departing from the decision taken by their predecessors; and that accordingly the small surplus which constitutes so inadequate a contribution towards the Sinking Fund charged on the revenues of the Ottoman Empire will, in the absence of any better arrangement, continue to be retained for the purpose of being eventually applied in paying off drawn bonds, when the surplus has accumulated to a sufficiently large sum to admit of such application.

I am, &c.

(Signed) FRANK MOWATT.

No. 9.

The Earl of Rosebery to Rustem Pasha.

Foreign Office, April 10, 1893.

M. l'Ambassadeur,

IN compliance with the request contained in your Excellency's note of the 18th February last, I have the honour to transmit to you herewith a statement which I have received from the Lords Commissioners of the Treasury,† showing the manner in which the various amounts forming the tribute of the Island of Cyprus have been disposed of.

I have, &c.

(Signed) ROSEBERY.

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* Not printed.

† See No. 8.

No. 10.

Sir Clare Ford to the Earl of Rosebery.—(Received April 28.)

(No. 159.)

Constantinople, April 24, 1893.

My Lord,

I HAVE the honour to inclose herein copy of a Memorandum which Mr. Caillard, of the Administrative Council of the Ottoman Public Debt, has been good enough to draw up for me respecting the new loan of £ T. 1,000,000 which it is proposed to be raised by the Turkish Government.

It is expected that the Council of Ministers will come to a decision on the subject in the course of a few days.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure in No. 10.

Memorandum by Mr. Caillard on a Loan of £ T. 1,000,000 proposed to be raised by the Turkish Government.

THIS loan of £ T. 1,000,000 is raised chiefly for the purpose of paying for the large orders of Mauser rifles, for the rearmament of the Turkish army, recently given in Germany. Its nominal amount is £ T. 1,000,000, and it is to bear an interest of 4 per cent., with a sinking fund of 1 per cent.; the annual sum, therefore, required for the service of the loan is £ T. 50,000.

The loan is to be secured on the annual rent of £ T. 40,000 paid to the Turkish Government by the Tumbeki Monopoly Company, and £ T. 10,000 taken from the customs duties levied on tumbeki entering the Empire. The latter sum is to be levied in the following manner. The customs duties on tumbeki being 3 piastres per kilog., the Tumbeki Monopoly Company is to be authorized to pay only 1 piastre per kilog. to the Customs authorities at Bagdad and Hodeidah, and to retain the other 2 piastres as security for the loan until the sum of £ T. 10,000 is complete.

The collection of this £ T. 10,000 is thus left absolutely in the hands of the Tumbeki Monopoly Company. Since the latter will pay the whole £ T. 50,000 direct to the Imperial Ottoman Bank, for the service of the loan, the security may be considered a good one. In fact, in so far as its special character is concerned, the strength of the security depends upon the financial strength and prosperity of the Tumbeki Monopoly Company, which seems likely to turn out a good business. In addition to this special security there is of course the general security of the undertaking of the Turkish Government.

The Imperial Ottoman Bank is now in treaty with the Government as to the price at which it will take the loan firm. The present offer is 69, but the Bank is willing to increase this to 70, and the latter is the price to which the Ottoman Government says it will agree. The Bank, however, does not wish at the present moment to take the whole loan firm at once. The idea is to advance to the Government £ T. 300,000 on the security of the bonds of the new loan, and to leave the remainder at the option of the Bank for a period of five months. This £ T. 300,000 is sufficient for the present needs of the Government, which consist of the necessity to pay the first instalment for the recent purchase of rifles, the whole amount due for which is £ T. 600,000.

The intention of the Ottoman Bank, in obtaining the delay of five months to come to a decision as to the balance of the loan, is to return to the original project of a loan of £ T. 2,500,000, a considerable portion of which would be applied to paying off the Raccordement Railways Company, and in regard to which a detailed Report was sent by me to the Embassy on the 5th November, 1892. The Government, however, does not appear willing to accept this condition, and is insisting that the whole loan of £ T. 1,000,000 should be taken firm at once. It fears that if the five months' option be left to the Ottoman Bank, the latter will use the option as a screw for obtaining the Raccordement Loan on too favourable conditions; for since the Government will certainly require the remainder of the money at the end of the five months, it might be possible for the Ottoman Bank then to say that unless the

Government will agree to the Raccordement Loan on the conditions required by the Bank, the latter would refuse to take up the option of the remainder of the first loan, and the Government would find itself taken entirely at a disadvantage.

If the whole loan were taken firm at 70, the cash at the disposal of the Government would be £T. 700,000, of which £T. 600,000 would be utilized for paying for the rearmament of the troops, and £T. 100,000 kept for general purposes.

It is asserted that the present loan of £T. 1,000,000 will not form any new charge on the Budget of the Empire. This may be said to be true in the following sense: Firstly, when the Tumbeki Monopoly Company was formed some eighteen months ago, it undertook to pay a rent of £T. 40,000 a-year to the Turkish Government. This new resource remains unhypothecated up to the present moment, and, since it is new, its hypothecation does not affect the charges on the Turkish Budget as it stood two years ago. Secondly, up to the month of April of last year, the customs duty upon Tumbeki was 2 piastres 30 paras per ocque. After that date it was raised to 3 piastres per kilog. This makes a difference, supposing the importation of Tumbeki to remain stationary, of from £T. 25,000 to £T. 30,000 a-year in favour of the Turkish Government. This increase of customs duty may therefore also be considered as a new resource, and the £T. 10,000 taken from it to complete the service of the loan may therefore be considered, in the same sense as before, to form no charge on the ordinary Budget of the Empire. The service of the loan may, in short, be said to form an extraordinary charge, to meet which extraordinrry resources have been found.

The question is to be submitted very shortly to the Council of Ministers. The only difficulty likely to arise is that above described in regard to the option demanded by the Ottoman Bank.

I will keep the Embassy informed of the subsequent phases of this question.

It is worth noting that the sum of £T. 600,000 necessary to pay for the new rifles is that which was referred to in my Memorandum on the Railway Guarantees, dated the 27th February, 1893, as forming an irreducible deficit in the Budget. By means of the new loan, therefore, this deficit is made to disappear.

(Signed) VINCENT CAILLARD.

April 22, 1893.

No. 11.

Sir Clare Ford to the Earl of Rosebery.—(*Received May* 12.)

(No. 184.)

Constantinople, May 8, 1893.

My Lord,

I HAVE the honour to inclose you two copies of the preliminary Report of the Council of Administration of the Ottoman Public Debt. The most salient points of this Report are as follows:—

General Receipts.—The gross receipts for the year, amounting to £ T. 2,268,269, show an increase of £ T. 112,041 on the preceding year, of which £ T. 71,464 is derived from the five conceded revenues and the tobacco arrears. The expenses, amounting to £ T. 83,724, show a decrease of £ T. 5,932. Thus a total net increase for the year is shown of £ T. 117,973, which is the largest increase hitherto obtained in any one year except in 1888–89, when the Eastern Roumelian payments were renewed.

Increase of Interest.—The reserve account for the increase of the rate of interest, which was opened at the end of the tenth financial year, amounting to £ T. 9,493, has been increased to £ T. 114,462.

Lottery Bonds.—A scheme proposed by the Austro-Hungarian Syndicate, by which the reimbursement of the lottery bonds would be effected at the rate of 75 per cent., has been submitted to the European Syndicates and the Ottoman Government for their adhesion.

Sinking Funds.—Although the funds available for this service were greater than in the preceding year, the nominal capital of the four series amortized, viz., £ T. 1,447,600, shows a decrease on the preceding year; this is explained by the fact that whilst in the latter year the average rate at which the amortizations were effected was 39·558 per cent., in the former year it was 36·714 per cent. The amount by which the whole debt was reduced during the year, by the action of the sinking funds, was £ T. 1,505,452.

Reforms.—Mr. Vincent Caillard states in the preface that the past year has been one of greater activity in initiating and effecting reforms in the Administration, than any of those preceding it, and partly attributes the net increase for the year of £ T. 117,973 to this cause; he expresses the hope that, if no extraordinary causes occur to prevent it, the present prosperous condition of the revenues of the Public Debt may be more than maintained in the future.

This preliminary Report will be followed in due time—that is, in about the month of September next—by the usual definitive Report of the Council on the operations of the year, which I shall then have the honour to forward to your Lordship with such remarks as it may suggest to me.

I have, &c.

(Signed) FRANCIS CLARE FORD.

No. 12.

Sir Clare Ford to the Earl of Rosebery.—(*Received May* 17.)

(No. 192.)

Constantinople, May 13, 1893.

My Lord,

WITH reference to my despatch No. 159 of the 24th ultimo on the subject of a loan for the sum of £ T. 1,000,000 to be effected by the Ottoman Government, I have the honour to inform your Lordship that the Imperial Iradé authorizing it to be raised was issued on the 8th instant.

I am indebted to Mr. Caillard, of the Administrative Council of the Ottoman Debt, for a Memorandum on the subject, copy of which is herein inclosed.

In it Mr. Caillard sets forth the reasons which induced him to advise the Turkish Government to contract the loan in question.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure in No. 12.

Complementary Memorandum on the Tumbeki Loan.

THE Imperial Iradé authorizing the Sublime Porte to contract the Tumbeki Loan with the Ottoman Bank was issued on the 8th instant.

The terms of the loan are exactly those described in my Memorandum of the 22nd April, viz., the nominal amount is £ T. 1,000,000, bearing interest at the rate of 4 per cent., with a sinking fund of 1 per cent. The contractors take firm £ T. 300,000 at once at the price of 70, and have reserved to them an option, extending over five months, of taking up the remaining £ T. 700,000 at the same price.

On being consulted by the Turkish Government as to the advisability of contracting the loan on these terms I advised them to do so. My principal reason in giving this advice was, that it was to be feared that if the contractors were obliged to take the whole amount firm at once—thus putting at the disposal of the Turkish Government £ T. 700,000 in cash at once—the Russians might, as is their usual manner when they hear that a large sum of money is at the disposal of the Turkish Government, come down upon the latter with a pressing demand for further payments for the war indemnity. With so small an amount as only £ T. 300,000 certain—that is to say £ T. 210,000 in cash—this danger would be minimized. The same argument will apply later on, when the remaining £ T. 700,000 will be taken firm (and it is to be noted that the contractors have given a verbal assurance that they will not fail to take up their option before the five months elapse), when the first instalment will certainly have been spent, and the amount in cash which will remain at the disposal of the Government at that time will probably not be sufficient to give the Russians ground for putting in a strong claim.

My second reason was, that it leaves the door open for the contractors to tack on to this Tumbeki Loan a further loan for the repayment of the Raccordement Railways —which, in my opinion, would be a good operation for the Turkish Government.

Such having been the advice which I gave to the latter, it is unnecessary for me to add that I believe that it is a wise proceeding on its part to have concluded the loan

on the terms described, since, as stated in the previous Memorandum, the service of the loan is met by special resources and does not form a charge on the ordinary Budget.

(Signed) VINCENT CAILLARD.

May 10, 1893.

No. 13.

Rustem Pasha to the Earl of Rosebery.—(Received May 30.)

Ambassade Impériale de Turquie,
Londres, le 29 *Mai*, 1893.

M. le Comte,

JE n'ai pas manqué de communiquer au Gouvernement Impérial, à l'époque de leur réception, les deux notes que votre Seigneurie m'a fait l'honneur de m'adresser en date du 7 Février et du 10 Avril de cette année, au sujet de l'excédant des revenus de l'Ile de Chypre.

La Sublime Porte m'a informé, en réponse, que le Ministère des Finances se réserve d'examiner les différents points qui font l'objet des notes précitées. En attendant, le Ministère Impérial me fait savoir que conformément à la proposition contenue dans la note de votre Seigneurie du 7 Février, le Gouvernement Ottoman a décidé de prendre consignation du sel provenant des salines, après déduction de la quantité nécessaire à la consommation locale. Je serais donc reconnaissant à votre Seigneurie si elle voulait bien faire aviser les autorités de Chypre de cette décision, et leur faire envoyer des instructions pour que le sel en question soit tenu chaque année à la disposition des agents de l'Administration de la Dette Publique Ottomane. En ce qui concerne l'excédant de sel de l'année courante, soit 5,208 tonnes, la dite Administration a décidé de les faire transporter par les bateaux desservant la ligne de Chypre.

J'ai, &c.

(Signé) RUSTEM.

No. 14.

Sir Clare Ford to the Earl of Rosebery.—(Received November 7.)

(No. 501.)

Constantinople, October 30, 1893.

My Lord,

I HAVE the honour to forward to your Lordship herewith copy of a despatch which I have received from Her Majesty's Consul at Damascus, reporting on the finances of the vilayet.

I have, &c.

(Signed) FRANCIS CLARE FORD.

Inclosure 1 in No. 14.

Consul Eyres to Sir Clare Ford.

Damascus, October 11, 1893.

Sir,

IN view of the sanguine accounts of the finances of the Turkish Empire which appear from time to time in European newspapers of high standing, and of the *couleur de rose* statements frequently made in the Turkish papers, I venture to think that it may be desirable to give some particulars of the finances of the Vilayet of Damascus, the condition of which certainly does not bear out, as far as this province is concerned, the optimist views above referred to.

I have the honour to inclose herewith a statement of revenue and expenditure, which is a fair average presentment of the Budget of the vilayet for the past three years. From this it will be observed there is a yearly deficit of £ T. 23,000. This deficit has existed certainly during the past three years, and I have reason to believe that the finances have for some time past been in a very critical condition. The enormous military expenditure and the portion of the expenses of the pilgrim caravan borne by the Treasury of Damascus cause the principal drain on the local resources, and there is no hope of any diminution in these items. It is true that the Governor-General is in hopes that the establishment of the new Sandjak at Maán will materially reduce the Hadj expenditure; but, besides the fact that this is doubtful,

there will be for the present, and no doubt for several years to come, a further charge on the Treasury for the expenses of the sandjak. To obtain the 15,000*l.* required to start the expedition, the payment of all salaries has been stopped, a course of action which resulted in a mutiny among the zaptiehs, who piled their arms and left the barracks; while the officers of the regular troops have shown no more inclination to submit to the loss of their pay.

The Government meets the deficit by the simple process of deferring payment and dragging on from year to year heavily in debt. But it is clear that this method cannot long be pursued; the local Treasury must end in hopeless bankruptcy unless it receive external aid, or unless some of its burdens be lightened. If it were permissible to impose new taxes, it would not be possible to collect them except in towns; for the agricultural population, on whose shoulders the weight of taxation in this country falls heaviest, are in the most hopelessly poverty-stricken condition. In no other province have I seen the peasantry so abjectly poor; I do not speak, of course, of the semi-independent districts. All their lands are in the hands of money-lenders, and they eke out a bare existence on what is left of their produce when the money-lender (who has in most cases become the proprietor) has taken his share.

The outlook appears very gloomy, and the local authorities, though wide enough awake to the fact, do not attempt any remedies, though, indeed, it is difficult to suggest any possible course. Sooner or later, however, the Imperial Treasury will be forced to come to their aid in some form or other.

I have, &c.

(Signed) H. C. A. EYRES.

Inclosure 2 in No. 14.

Statement of Revenue of Expenditure of Vilayet of Damascus.

Revenus du Vilayet.

	£ T.
Impôt Foncier ("Verghui")	107,000
Patente	10,000
Exonération militaire des Chrétiens	14,000
Moutons	55,000
Dimes	130,000
Mines et Forêts	1,000
Tapou et transferts	6,000
Revenus des propriétés de l'État	1,000
Revenus des Tribunaux	4,000
Divers	8,000
	336,000

Dépenses du Vilayet.

	£ T.
Magistrature ("Cheri Adlié")	13,000
Dépenses locales. Traitements	46,000
Intérêts	6,000
Liste Civile	10,000
Guerre	170,000
Gendarmerie, Zaptiés, et Tahsildar	50,000
Police	3,000
Service Sanitaire	1,000
Havalés (Caravane Sacrée comprise)	60,000
	359,000

No. 15.

Sir Clare Ford to the Earl of Rosebery.—(Received November 20.)

(No. 172. Commercial.)

Constantinople, November 9, 1893.

My Lord,

I HAVE the honour to inclose you a copy of the Annual Report of Mr. Vincent Caillard, Delegate of the British, Belgian, and Dutch bondholders on the Council of the Ottoman Public Debt.* The principal features of this Report are the following:—

* Not printed.

General Receipts.—There is an increase in the gross receipts of £T. 132,464, against an increase of expenditure of £T. 14,644, the net increase thus amounting to £T. 117,974. The results thus shown are the most satisfactory for any year since the establishment of the administration of the Public Debt. All the revenues contributed to this increase with the exception of the "Spirits" and "Fisheries." On these, however, the decrease is insignificant, and Mr. Caillard points out that if the increase in the "Spirits" revenue in the preceding year be taken into consideration, the returns obtained last year more than maintain the average yearly rate of increase since the cession of these revenues.

Sinking Funds.—The result of the working of these funds during the course of the past year was that a total nominal capital of £T. 1,505,452 was redeemed, against £T. 1,782,200 in the previous year. Owing to the rise in price, the amounts actually expended for this purpose were greater than in the preceding year, the figures being £T. 670,558 8 p., against £T. 667,886 66 p.

Reserve Fund.—The result of this development of revenue in the past year has been that a sum of £T. 104,826 has been added to the "Interest Increase Reserve Fund," which had attained the sum of £T. 114,462 at the close of the past year.

Reforms.—From Mr. Caillard's Report your Lordship will see that these are being carried out with great energy, the most striking examples during the period treated of being the establishment of an improved Inspectorate, the division of the collection of the ceded revenues into different Departments, the institution of an entrance examination on a system somewhat similar to the English Civil Service examination, and the establishment of "Relief" and "Savings" Funds.

Railways.—Your Lordship will observe that Mr. Caillard's Report discusses at length the beneficial effect upon the trade and commerce of the Ottoman Empire resulting from the construction of railways in Asia Minor, and gives some striking figures in support of his views, pointing out at the same time the important part played by the Public Debt Council in this matter.

Credit and Progress.—Figures are given showing the total amount of the Public Debt outstanding, which amounted on the 1st (13th) September in this year to £T. 130,394,970. A net reduction has thus been effected in the total exterior Ottoman Public Debt of £T. 932,030 since the 1st (13th) September, 1892, although a fresh loan of £T. 1,000,000 was raised by the Government in the month of May last. No fresh charge, however, is brought to bear on the previous Budget of the Imperial Treasury by this loan, since it is secured on the new "tumbeki" monopoly. Mr. Caillard publishes some very interesting figures in regard to the credit and material progress of Turkey, showing the increase in Turkish credit abroad since the establishment of the Administration of the Public Debt. Thus, whilst Turkish credit in the year 1885-86 was measured by a rate of interest of 6·45 per cent., it was in 1892-93 measured by one of 4·62 per cent. Finally, Mr. Caillard points out the renewal of industrial activity in Turkey which has recently taken place, and the increasing interest taken by foreign capitalists in such investments.

I have, &c.
(Signed) FRANCIS CLARE FORD.